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ABSTRACT

A study investigated how 22 Service Delivery Areas (SDAs) were implementing the Job Training Partnership Act (JTPA). In 19 SDAs the same organization was the grant recipient and administrative entity. A number of arrangements existed between the Private Industry Councils (PICs) and the SDAs. The most common pattern was for the PIC to play an advisory role. In most cases local elected officials relied on professional employment and training office staff to serve their interests and did not take a visible role in policy decision making for the SDA. In about half of the SDAs, financial liability and eligibility verification did not appear to be significant issues of discussion. Enrolling youths was a major implementation problem for many SDAs. Overall, SDAs had shifted from developmental strategies pursued under the Comprehensive Employment and Training Act to an emphasis on creating private-sector training slots. Half of the SDAs indicated they expected to make changes in their mix of Title IIA programs, the most frequent change being use of on-the-job training. Only seven SDAs had Title III projects; another nine had Title III projects operating within their geographic boundaries. (YLB)

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EARLY SERVICE DELIVERY AREA
IMPLEMENTATION OF THE
JOB TRAINING PARTNERSHIP ACT

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TABLE OF CONTENTS

Chapter Page

PREFACE. 1

EXECUTIVE SUMMARY. i

1 SDA ORGANIZATION AND PLANNING

1.1 Introduction. 1-1
1.2 PIC Role in SDAs. 1-5
1.3 The Transition From CETA to JTPA Continues 1-16
1.4 Employment Service Relations With SDAs. . 1-17
1.5 Limits on Administrative Costs. 1-21

2 TITLE IIA TARGETING

2.1 SDA-Level Targeting 2-1
2.2 Title IIA: Factors Affecting Participant Selection 2-3
2.3 SDA Plans for Establishing a Priority Service Group 2-5
2.4 Youth Requirement 2-7
2.5 Nondisadvantaged Individuals. 2-10
2.6 Use of Stipends and Need-Based Payments . 2-12
2.7 Limitations on Stipends 2-15
2.8 Changes in the Service Mix. 2-20
2.9 Summary: Back to the Question. 2-22

3 TITLE IIA SERVICE MIX

3.1 Service Subcontractors. 3-2
3.2 Elements of Service 3-3
3.3 Service Strategies. 3-7
3.4 Plans to Change Service Mix in PY 1984. . 3-12

4 PERFORMANCE AND LIABILITY

4.1 Use of Performance-Based Contracting. . . 4-1
4.2 Title IIA Performance Standards 4-6
4.3 Financial Liability and Related Issues in the SDAs 4-10

TABLE OF CONTENTS (Continued)

Chapter Page

5 TITLE III PROGRAMMING IN THE SDAs

5.1 SDA Targeting 5-2
5.2 SDA Service Mix 5-3
5.3 The Relationship of Title IIA and Title III Programs. 5-6
5.4 Targeting of Title IIA Resources on Title III Eligibles 5-7
5.5 Coordination of Title IIA Services with Title III 5-9

Appendix

A Three Case Studies A-1

B Phase IA Local SDA Field Research Report . . . B-1

List of Tables

Table

1 Sample of Service Delivery Areas for JTPA Process Assessment, Phase IA 5

2 Targeted Groups in the Sample of Twenty-Two SDAs 2-2

3 Stipend and Need Based Payment Practices of Sample SDAs 2-14

4 Relative Importance of Training, Urban County SDA

PREFACE

The original research plan for the process study of the implementation of the Job Training Partnership Act called for an observation at the State level in December 1983 and January 1984 (Phase 1) to be followed by a second observation at the State level as well as in forty Service Delivery Areas (SDAs) in May-July 1984 (Phase 2). This second observation was to cover programs operated during Transition Year 1984 (October 1, 1983 through June 30, 1984) as well as plans for the first full program year (PY 1984, July 1, 1984 through June 30, 1985).

Subsequently, the Department of Labor asked Westat to undertake a preliminary observation of the implementation at the Service Delivery Area level early in the Spring of 1984 (Phase 1A). This report covers that observation.

To accommodate the request, Westat selected a sample of twenty-two SDAs from among the forty SDAs to be observed in Phase 2. The list of topics to be investigated was limited to those thought to be most relevant for the early period of implementation. These included:

1. SDA Organization and Planning Mechanisms. This topic covers:
    - -- the role of Private Industry Councils in the planning process and program design;
    - -- the choices of the grant recipient and administrative entity; and
    - -- the relationship of the Employment Service to the SDA/PIC and decisions on the services to be provided.

2. The Nature of the Population Served.
The observation was designed to collect information on program operator decisions concerning who was to be served, and the relative importance of service to the groups mentioned in the legislation. Particular attention was to be given to the legislative requirements for services for youths, older workers, AFDC recipients, and dropouts. Further, the 10 percent "window" for enrolling nondisadvantaged individuals was to be investigated. Another area of inquiry is the question of the relationship of changes in the program organization to the types of participants served and the potential for "creaming" of the eligible population.

3. Programming Choices in the SDA.
What happens to the mix of programming under the changes in the JTPA legislation? How does limiting the use of work experience and stipends affect the program mix and the choice of participants? How does the involvement of the private-sector membership of the local Private Industry Council affect the service strategy of the SDA?

4. SDA Financial Arrangements.
Congress specified that the grant recipient would be liable for any spending for unauthorized purposes. The issue of financial liability may affect local programmatic arrangements and the choice of service providers. How do the performance-based nature of the program and the use of performance standards and performance-based contracts, particularly in the presence of limitations on administrative costs, affect the program?

5. Title III Programming.
Title III authorizes programs for workers displaced by shifts in the economy, including technological changes. How much Title III programming is there in the SDAs? If there are State-operated Title III programs within the boundaries of the SDA, to what degree are the activities of these two programs coordinated? Are the SDAs serving Title III eligible workers with their Title IIA money?

Sample Selection

In selecting SDAs for this observation, we tried to cover the range of SDA organizations, including both big and small SDAs; those in both urban and rural areas; and those that were identical to prime sponsors under the old CETA program as well as newly organized SDAs and administrative units that functioned as program operators under the old Balance of State system in CETA. The twenty-two sample SDAs are a subset of a sample of forty that will be chosen for full observation at the end of the transition year.

The procedure used to select the sample SDAs to be included in this observation was as follows.

1. The National Alliance of Business made available the results of its survey of all PICs. The data files contained usable information on the Title IIA allocations for 583 of the 596 SDAs. This data source and information collected by the Field Associates in Phase 1 of the research were used by Westat to create a datafile. This file contained variables indicating: (1) the name of each SDA in the twenty State sample; (2) the region of the country in which the SDA is located; and (3) whether the SDA organization included areas that did not have experience under CETA or were identical to the prime sponsors or Balance of State administrative units under the CETA program.

2. The list of SDAs was sorted in ascending order by their TY84 Title IIA allocation and then stratified by their regional location to create four separate files--one for each region.[1]

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[1] We used four regions, incorporating the areas covered by the ten Department of Labor regional offices as follows: Northeast (Boston, New York, and Philadelphia regional offices); South (Dallas and Atlanta regional offices); Midwest (Chicago and Kansas City regional offices); and West (Seattle, Denver, and San Francisco regional offices).

3. The SDAs in each file were divided into terciles according to SDA allocation.[2] The sample was then selected according to the following constraints:

    - At least one SDA had to be chosen in each sample State.[3]
    - At least one SDA of each size had to be chosen in each region.[4]
    - The SDAs selected could not duplicate the SDA sample for process studies being performed by the General Accounting Office (GAO) and by MDC, Inc.
    - "Intact" former CETA prime sponsor units, intact former Balance of State units, and SDAs which are geographically different from either type of CETA unit were to be represented.
    - Both primarily urban and primarily rural SDAs were to be included.

Table 1 displays the initial sample of twenty-two SDAs. These will become a part of the eventual forty-SDA sample.

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[2] The lower third of the tercile in each region contained all SDAs classified as level 3 (small). The middle third of the tercile contained the SDAs classified as level 2 (middle). And the upper third of the tercile contained all SDA classified as large (level 1).

[3] This was only a criterion for selecting the SDAs for the Phase 2 sample.

[4] Single SDA States and the Balance of Montana SDA entered the sample with certainty. In addition, there were no SDAs in level 1 which lacked CETA prime sponsor experience.

Table 1. Sample of Service Delivery Areas for JTPA Process Assessment, Phase 1A

SDA EXPENDITURE LEVEL	COMBINED FEDERAL REGION			
	Northeast	South	Midwest	West
LEVEL 1	Philadelphia, PA Maine "State SDA" Delaware[1]	Memphis, TN Bluegrass, KY Harris Co., TX	Grand Rapids-Kent, MI Milwaukee, WI Balance of North Cook Co., IL	Phoenix, AZ San Francisco, CA Tacoma-Pierce, WA Balance of Montana
LEVEL 2	Rochester, NY Lackawanna, PA	Tulsa, OK Northeast, GA		Fargo, ND[1] (one of six planning districts)
LEVEL 3	Willimantic-Danielson, CT		Kansas City, KS Jefferson City-Columbia, MO	Butte County, CA

[1] Certainty selection.

JTPA represents a major shift in employment and training policy. State governmental authority has substantially increased under the act and a major emphasis is placed on involving the expertise of the private sector in the planning and operation of the program. The law is principally designed to increase earnings and reduce welfare dependency among the economically disadvantaged through an emphasis on the development of private sector training and job placements.[5] This preliminary observation is intended to provide an indication of how the changes mandated by the law are developing.

However, as stated earlier, the observations in Phase 1A were conducted in a subset of the sample of forty SDAs that will be observed in Phase 2 of the study. Although this sample is stratified by region, the limited number of observations allowed for this phase of study prevented Westat from satisfying all of the established criteria for sample selection. In addition, because the period of observation was February-March 1984, the SDAs were in the initial phase of operation and little program data was available. Planning documents and interview data were relied upon for the analysis. In reporting the results of this analysis, attempts were made to identify the range of and general trends in program implementation among the SDAs, illustrated by relevant quotes from the Field Associates. As such, the analysis represents tentative indications of patterns of program development and not evidence of final program outcomes. Program data will be available in addition to interview data and qualitative assessments in the second round of research.

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[5] For a discussion of the key changes in JTPA and the procedures used for this analysis, see Cook, et al, The State Level Implementation of the Job Training Partnership Act, Westat, Inc., May 16, 1984.

EXECUTIVE SUMMARY

The Study

This report describes the findings of a study of how a sample of twenty-two Service Delivery Areas (SDAs) were implementing the Job Training Partnership Act (JTPA) as of February and March 1984.

This observation is part of a process study of the implementation of JTPA at both the State and SDA levels being conducted by Westat, Inc. A State-level observation was made in twenty States in December 1983 and January 1984; a more comprehensive observation at the State and SDA levels will be made in May through July 1984, covering the twenty-two SDAs reported on in this study plus eighteen more, for a total of forty SDAs in the twenty states.

The Sample

The SDAs in the sample used for this report were selected to represent both rural and urban SDAs; both new SDAs as well as those that had been prime sponsors or Balance of State administrative areas under JTPA's predecessor, the Comprehensive Employment and Training Act (CETA); SDAs from states with varying numbers of SDAs; and both large and small SDAs as measured by JTPA allocations for Transition Year 1984 (October 1, 1983 through June 30, 1984).

The SDAs included in the sample are Phoenix, Arizona; Butte County, California; San Francisco, California; Willimantic/ Danielson, Connecticut; State of Delaware; SDA 4, Northeast

Georgia, Georgia; Northern Cook County, Illinois; SDA 3, Johnson and Wyandotte Counties, Kansas; Bluegrass SDA, Kentucky; State SDA, Maine; Grand Rapids-Kent County, Michigan; SDA 5, Jefferson/Columbia County, Missouri; Balance of State, Montana; Rochester, New York; Planning Region 5, Fargo, North Dakota; Tulsa, Oklahoma; Lackawanna County, Pennsylvania; Philadelphia, Pennsylvania; Fayette and Shelby Counties, Tennessee; Balance of Harris County, Texas; Tacoma-Pierce County, Washington; and Milwaukee County, Wisconsin.

SDA Organization and Planning

The State-level observation found that in four of five SDAs the grant recipient and administrative entity were the same organization. In half the SDAs this organization was a unit of local government. PICs took on both roles in only 15 percent of the cases.

The findings were similar for this observation. In nineteen of the twenty-two SDAs the same organization was the grant recipient and administrative entity. Of these:

- In six SDAs the local employment and training office had both roles;
- PICs had both roles in four SDAs;
- In three SDAs both roles were held by a Council of Governments or area planning commission;
- In two SDAs the Employment Service was both the grant recipient and administrative entity; and
- A variety of arrangements existed in the other four SDAs.

A number of arrangements can exist between the Private Industry Councils (PICs) and the private-sector representatives who make up the majority of members of the Council, and the local elected officials from governments in the SDA. The study found the following: The most common pattern--observed in fifteen of the twenty-two SDAs--was for the PIC to play an advisory role. The reason most often given for this arrangement was that PIC members had only a few weeks after organizing to submit plans and proposals, so they were forced to rely on employment and training office staff or local elected officials. Another reason was that most PIC members are new and thus going through a learning process.

In most cases, local elected officials relied on professional employment and training office staff to serve their interests, and did not themselves take a visible role in making policy decisions for the SDA. In only two SDAs did local elected officials actively control all aspects of the program and successfully fend off efforts by the PIC to play a larger role.

No PIC now has an equal role with local elected officials, but in six of the fifteen SDAs in which the PIC now plays an advisory role, it was showing signs of moving toward a more active role, perhaps toward equality with elected officials. These PICs are developing specialized subcommittees and are beginning to focus on certain priority issues, such as subcontracting policies.

In six SDAs the PIC was already taking the primary role. These PICs typically had incorporated or had negotiated a broad role for themselves in policy, planning, implementation, and review.

One PIC had a mixed role: It was the primary actor in selected areas considered important to JTPA's ability to meet employer needs, such as marketing and on-the-job training. It largely played an advisory role in other areas.

Very few PICs showed any signs of serious divisions between public representatives and private representatives. More common were tensions between PIC members and the staff of employment and training offices. These tensions arose when PICs began to inquire into matters of policy and programming.

Employment Service (ES) relations with the PICs in SDAs vary substantially depending upon the availability of subcontractors in the area, State organization and the past history of relationships. In two SDAs the Employment Service administers the program. In another four the ES is represented on the PIC but provides no services to the SDA. In eight SDAs, ES provides services under a nonfinancial agreement with the SDA. In the remaining eight SDAs the ES has both financial and nonfinancial agreements with the SDA to provide services. The most frequently provided services are intake and eligibility verification. Other services most often include placement and development of OJT contracts.

Associates in fourteen of the twenty-two SDAs report that the legislative limit on administrative costs had little effect on the ability of SDA officials to administer Title IIA programs in TY84. In the other eight SDAs, the most significant effect was staffing reductions. In most cases, however, the availability of CETA carryover funds and the fact that many of the administrative structures were just being established enabled SDA officials to operate within the 15 percent limit.

Nonetheless, many administrators are pessimistic about staying within the limit as the program matures in PY84. This is a particular concern among the smaller SDAs, where 15 percent of their share of the Title IIA allocation is thought to yield very little for operating the program.

Title IIA Programming

In about half of the SDAs, financial liability and eligibility verification did not appear to be significant issues of discussion during TY84. In the SDAs where they were active issues, there is still a sense of uncertainty about which agent would be liable in case of disallowed costs, and about what constitutes an adequate eligiblity verification procedure.

Where PICs wanted to reduce the use of community-based organizations (CBOs) as training contractors, they sometimes used the liability issue as a reason for doing so, but, in general, liability does not seem to have been the determining factor in whether CBOs were chosen to provide training services. (Use of CBOs is declining, however, for outreach, referral, and counseling services.)

Half the SDAs in the sample did not add to the targeting in the law. Another one-fourth added a list of "significant segments" to be served in proportion to their representation in the population. The final one-fourth specified additional groups to receive more (or less) service.

Enrolling youths is a major implementation problem for many SDAs. Three factors caused the problem. First, the act requires that in each State, 40 percent of Title IIA spending go to services for youths. States can vary this percentage for SDAs to reflect differences in the makeup of populations in the different SDAs; for the SDAs in the sample, the requirement ranged from 28 percent to 54 percent. Because training for youths typically costs less than for adults, however, the percentage of youth enrollments must be larger than the required percentage of expenditures. For example, a requirement that 40 percent of spending be for youths translates roughly into a requirement that 50 percent of enrollees be youths. The second factor is that JTPA limits the amount of Title IIA funds that can be spent on work experience. This limits the ability of SDAs to serve youths, at least in the way that was most often used under CETA: In FY 1981, youths made up 42 percent of CETA enrollees (excluding summer and demonstration programs), and 45 percent of youths in CETA were in work experience programs. The third factor is the lack of stipends under JTPA. This particularly limits the ability to attract out-of-school youths. While one part of the act requires SDAs to serve youths, other sections make it difficult to do so.

Roughly one-third of the SDAs were not paying any form of stipend, although some did reimburse travel and child care expenses. With the exception of one SDA with a waiver on the 30 percent limit for administrative and support services, the other SDAs were paying stipends of from $2 to $8 per day of training. AFDC recipients and unemployment insurance claimants were often excluded by SDA policy from receiving stipends. The lack of stipends not only affected youth enrollments but was also mentioned in connection with enrollment of AFDC recipients and in retaining these individuals in training programs.

At the same time, there are indications that the lack of stipends, along with reduced funding and introduction of performance standards, are resulting in more short-term training and an inability to enroll the most disadvantaged in the labor market.

The service mix observed among the twenty-two SDAs for Title IIA reflects, to a large extent, the philosophy of the act. Overall, SDAs have shifted from developmental strategies (i.e., work experience) pursued under CETA to an emphasis on creating private-sector training slots. Thirteen of the twenty-two SDAs have organized programs that seek to maximize private-sector placement while minimizing cost per placement. To accomplish this, they rely on short-term on-the-job training (OJT) and classroom training. Five SDAs have developed service strategies that are more individualized and serve a wider range of program eligibles. In these SDAs, OJT and classroom training are also emphasized, but the programming is more diverse. The four remaining SDAs have relied on past employment strategies (subject to legislative limits) under CETA. The limited experience of the new PICs and strong former CETA subcontractors were contributing factors to the program development in these areas.

In virtually all the SDAs in the sample, the majority of the service subcontractors were contractors under CETA. In half the SDAs they were identical and in another seven SDAs they represented a subset of the CETA subcontractors.

Fourteen of the twenty-two SDAs use performance-based contracting. In other SDAs, the contracts have certain expected performance stipulations. In a small minority of the SDAs, however, performance-based contracting is not used, or is at an early stage of implementation. The extent of the overall utilization of performance-based contracting is expected to increase in PY84.

The SDAs expect to achieve or surpass most performance standards during the transition year. The exception to this observation is the "average wage at placement" standard which is reportedly difficult to achieve in many SDAs. Only a quarter of sample SDAs currently use 6 percent set-aside funds, primarily for programs for hard-to-serve groups, and, to some extent, for technical assistance.

JTPA allows up to 10 percent of participants in the program to be not economically disadvantaged, if they face other barriers to employment. Only four of the twenty-two SDAs in the sample were using this "window" to provide services to particular groups (primarily the handicapped) and only two of them had more than a few participants in this category. The primary use of the 10 percent window is for potential disallowed costs resulting from enrollment of ineligible participants. Two States retained half of the 10 percent and allowed the SDAs, in effect, a 5 percent window for ineligibles.

Prospects for PY84: Performance standards are important in shaping the plans of SDAs. The philosophy of such standards is consistent with the stress by PICs on outcomes, and the PICs have taken the PY84 standards into account in making plans for that year.

Half the SDAs in the sample indicated they expected to make some changes in their mix of Title IIA programs for PY84. The most frequent change was an increased use of on-the-job training. There is some evidence that the emphasis on OJT is leading to use of OJT contracts that provide short-term job subsidies at relatively low wages. Some SDAs also indicated they planned increased use of short-term institutional training. The SDAs that planned no changes in their service mix were almost exclusively former prime sponsors under CETA.

Title III Programs

As observed in the State-level report, Title III is very much a State-run program. Only seven of the SDAs in the sample had Title III projects. Another nine SDAs in the sample had Title III projects operating within their geographic boundaries. The remaining six SDAs had no Title III programming in their areas.

Of the sixteen SDAs where Title III programs operate, only nine indicate any coordination between those programs and Title IIA programs (including six SDAs where both programs are operated by the SDA itself). The least coordination occurred in the case of statewide Title III projects operating in the SDAs. Five of the SDAs operating Title III projects put heavy reliance on use of OJT as a strategy for dislocated workers. Four (including two of previous five) emphasize improvement of employability through development of job search skills.

1. SDA ORGANIZATION AND PLANNING

1.1 Introduction

One of the questions of greatest interest about the early implementation of JTPA is the extent to which the private sector has asserted itself in the decision-making process in Service Delivery Areas (SDAs). Congress intended that the private sector should be a "full partner" with local elected officials, and provided a clearly defined role for the Private Industry Councils (PICs) in organizing and planning the delivery system of Title IIA programs. PICs have the authority to incorporate and hire staff, and to be involved in developing the job training program. Congress left the division of particular planning and administrative functions, however, to negotiations between the PIC and local elected officials; the results of these negotiations would be spelled out in a signed letter of agreement.

The question, then, is what role the PICs actually play in relation to local elected officials:

- Would the council seek to formally establish itself as the grant recipient or administrative entity for Title IIA and negotiate a policy role?
- Would the council allow established units of local government to implement the programs as grant recipient and administrative entity and choose to assert itself only in major policy or planning issues?
- Would the council defer to the local elected officials on both policy and operational issues, acting instead in an advisory capacity?

This section describes the path taken by the private sector so far in developing "partnership" with local elected officials. It first briefly examines the formal organization of Title IIA -- that is, who is the grant recipient and administrative entity -- and the significance of that organization. A later section will explore the early policy planning and review roles negotiated among the PICs and the local elected officials.

Designation of Grant Recipients and Administrative Entities

The grant recipient for an SDA is the entity to which JTPA funds are given. Under the act, the grant recipient is legally liable for any JTPA funds spent for unauthorized purposes. The administrative entity is the organization that actually administers the JTPA programs within the SDA, either running the programs itself or contracting with other organizations to operate them.

The grant recipient and administrative entity need not be the same organization, but our State-level observations in Phase 1 of this study found that four out of five (81%) of the 314 SDAs in the twenty sampled States gave a single organization both functions. Units of local government or councils of government were granted both roles in 50 percent of the SDAs in the twenty States, while the PIC took both roles in only 15 percent of the cases.[1]

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[1] See Cook, et al., The State-Level Implementation of the Job Training Partnership Act, Westat, Inc., May 16, 1984.

As the Phase 1 report indicates, however, the State-level observations yielded little information on the reasons for the observed pattern. Also unanswered was the question of how the PICs viewed the designations. SDA-level observations, therefore, were designed to identify the designated grant recipient and administrative entity and to shed some light on the issues that surrounded the process.

The observations in twenty-two SDAs found that nineteen named the same organization as both grant recipient and administrative entity. PICs had both roles in only four SDAs, while a unit of local government or a consortium of governments had this double role in fifteen SDAs. Of these fifteen:

-- The local employment and training office held both roles in six. Associates reported that most of these offices are headed by "strong program professionals." A good track record under the old CETA program can be a help under JTPA, which imposes stringent liability rules on grant recipients.

-- Councils and planning commissions held the two roles in three SDAs. One of these chose the area planning commission because its structure incorporated both local officials and private business. This was thought to be a help in reaching the Governor's economic development goals.

-- State Employment Service agencies held both roles in two SDAs, both of which had been part of the Balance of State administrative unit under CETA.

-- Various arrangements were found in the other four SDAs.

Associates reported little dissension between local elected officials and private-sector representatives in the choice of units of local government as both grant recipients and administrative entities. Disputes were reported in only two SDAs. In one, a large city, the city government was given both roles and city officials consider JTPA a "city program." According to the Associate, relations between city officials and PIC members are bitter:

> The PIC has not made a large difference in the city's operation of its employment and training activity. The city employment and training staff is large and professional, and remains much the same as staff of previous CETA programs. Some members of the PIC have been quite critical of the city's administration of JTPA . . . and would like to negotiate to have the PIC become the administrative entity. . . .

In the majority of the SDAs, by contrast, many members feel the benefits of relying on government agencies with established administrative and auditing procedures outweigh any potential benefit derived if the PIC were to incorporate and assume the responsibilities of the grant recipient and administrative entity. Most PICs focused on using the planning, oversight, and review powers granted them by the law. As will be shown, this typically involved becoming part of a formal body governing day-to-day operations of the administrative entity, establishing a watchdog or consultancy status with the relevant local governments, or establishing itself as the policymaking body for the program.

Although few PICs have been named as both grant recipient and administrative entity, several have found other ways to exert influence in JTPA operations. Thus, it is easy to overemphasize who is grant recipient or administrative entity; attention should focus instead on what roles PICs and local elected officials actually play. The next section discusses the evolving role of the PICs, how these roles were established, and the strength of PICs in relation to other actors in the JTPA decisionmaking process at the SDA level.

1.2 PIC Role in SDAs

PICs have followed several paths in developing partnerships with the public sector in JTPA. They include:

> Primary Actor - PICs can take direct action to incorporate or to negotiate with local elected officials to provide a broad role for nongovernmental actors in policy, planning, implementation and review. The PIC may employ its own staff.
>
> Equal Status - The PIC can insist on playing a major role in policy, planning, and review, while leaving implementation to local or State government staff and contractors. The PIC may have little or no independent staff.
>
> Advisory Except in a Particular Area - The PIC can target areas of interest and activity that will respond to employer needs. Typically, the PIC targets are marketing (especially of customized training), on-the-job training, or special "showcase" training efforts.
>
> Purely Advisory Status - The PIC can review JTPA plans, relying upon non-PIC staff to develop policy and plans. All initiative arises from staff or local elected officials, and the PIC generally accepts these.

During the transition year the PIC was already taking a primary role in six of the twenty-two sample SDAs; in another six it had an advisory role, but was taking steps to become an equal partner in the near future. Only one PIC was operating in the "mixed" mode, while nine were observed to be purely advisory bodies with no evidence of movement toward either an equal or a primary role at this time. Given the peripheral involvement of most PICS under CETA, this does represent an increased role for the PIC under JTPA.

The following sections outline relations between PICs and local elected officials and the role of the PIC in planning, service delivery, contracting, and administration under each arrangement.

1.2.1 Primary Role

In four of the six SDAs in which the PIC is the primary actor, it is also the administrative entity. In another, the economic planning district, which is coterminous with the SDA, was designated as the administrative entity -- a role it plays with respect to various other block grants. The sixth PIC-dominated SDA designated a State agency as the administrative entity (this is not in a single-SDA State).

In two of these six SDAs, the PIC retains a limited staff of its own and is especially active in the sorts of specialty areas which also characterize the PIC role in a "mixed" system, such as OJT, customized training, and marketing. In this case, however, the PIC is both "in control" and runs special projects in which it has a particular interest.

In three more of these SDAs, the PIC has a full staff, drawn largely or totally from the former CETA administration. In five of the six SDAs, most JTPA contractors were also CETA subcontractors. These SDAs are not uniform with respect to size, history of CETA prime sponsorship, size of State, or geographic region.

In general, the local elected officials and States did not seem to seek a major role in JTPA at the SDA level. However, one SDA had a significant battle pitting the PIC against the State, which opposed PIC incorporation. The Associate reported:

> The most important decision the PIC has made was to incorporate and to be the grant recipient and administrative entity. This was done over substantial opposition. The State JTPA staff wanted to be the grant recipient and administrative entity and applied substantial pressure to the PIC. They even wrote an annual plan for the PIC without being asked and stressed how easy it would be to work with the State. In addition, the city wanted to be the grant recipient and administrative entity. It had been a prime sponsor under CETA and wanted to continue operating under JTPA. It had a staff of thirty-three persons and did not want to discharge such a large number of employees. The mayor, in particular, was a very strong supporter of having the city be responsible for JTPA.
>
> Against substantial political pressure from the city the PIC decided to incorporate. This decision was made primarily by the business representatives but had the support of general members as well. The primary reasons for incorporation were the PIC's perception that CETA had not been operated well nationally or locally and a desire to have JTPA represent a clean break with CETA. The private-sector representatives also had very strong feelings that the government should step aside and let the private sector have a chance to run the program. The PIC felt that if the state agency operated JTPA that the PIC would be a rubber stamp and that if the city operated the entire program it would be highly political. It was the PIC's view that they accepted appointments with the understanding that the employment and training programs would be changed and this required a change in administrative structure. There is no doubt that the business representatives have dominated the PIC thus far.

In contrast with this battle-torn SDA, local elected officials and PICs have amicable relations in most SDAs where the PIC plays a dominant role. In an SDA containing more than fifty units of government, the Associate reports:

> The local elected officials played the decisive role in the selection of the PIC, and respondents indicated that they also influenced the selection of the economic planning district as the administrative entity. Since then, the local elected officials have taken a back seat in directing the course of JTPA in the SDA including the areas of planning, service decisions, and selection of contractors, because as one local elected official put it, "the emphasis is on private industry leadership."

In another case, more than twenty-five units of government were instrumental in forming a new, inexperienced, SDA and in ensuring that the primary role would be played by the PIC. According to the Associate:

> Without question, the PIC is the "primary authority" in this SDA relative to local elected officials. The PIC makes all the important planning and programming decisions. Although the local elected officials' oversight role is quite active, it is not intrusive. The local elected official board has established a permanent JTPA oversight committee consisting of five mayors; this committee reviews the PIC work program and budget, and will require an annual "evaluative review" of the JTPA program. Informal ties between key PIC staff and the local elected official board's staff are also close -- they get together twice a month for an "eggs and issues" breakfast.
>
> Because the local elected officials were the main political force for securing separate SDA designation and because they were so active in helping the new PIC during its first few months, the local elected officials feel a certain parental pride about their offspring, but the child is pretty well running its own life now, under a watchful and supportive eye.

1.2.2 Purely Advisory Role

PICs have a purely advisory role in nine of the sample SDAs. In seven of these, the administrative entity is a unit of local or State government; in another, a consortium board of directors dominated by local elected officials serves in that role. However, local elected officials clearly play the leading role in JTPA in only three of these SDAs. In two others, the State Employment Service, which ran CETA, now plays the lead role. In four SDAs the local elected officials seem content to let an established professional staff carry out the major JTPA roles as long as the PIC ratifies staff-developed plans. While the staff knows how to serve local governments' interests, the local elected officials take a "behind-the-scenes" role. In at least seven of these SDAs, the CETA staff is now the JTPA staff.

A PIC may take a purely advisory role for several reasons. One is PIC members' inexperience. Another is the need to meet stringent planning deadlines for TY84 and PY84. In two cases, local elected officials mounted a clear, well-executed effort to restrict the PIC role.

Inexperience of PIC members is especially likely to be a factor in SDAs with a large land area, sparse population, and small JTPA allocations. A well-established CETA staff, now in charge of JTPA, and PIC members who are unfamiliar with one another as well as with the program, may slow the PIC learning process. As the Associate in one such SDA reports:

> The Private Industry Council appears to be serving an apprenticeship in program operations and administration. One of our interviewees said that he felt it would take two years of training for this Private Industry Council to become effective.

PIC inexperience is not limited to small, rural areas, however. Three SDAs with medium-sized JTPA allocations have PICs that largely ratify staff plans. According to one Associate:

> The region's previous experience with manpower programs has served to effectively eliminate the interest of influential business leaders. . . . In the words of the administrative entity, the support from the business community is zero and this relates to both financial and non-financial support.
>
> Decisions relating to planning, service, and the selection of service carriers are made by the administrative entity, which is a county agency. Local elected officials do not actively engage in the planning or selection process. Instead, they rely on the administrative entity to ensure that their goals and interests are pursued.
>
> The role of the PIC in planning, service decisions, etc., is vested in its executive committee. Theoretically, this committee is to assist in planning. In practice, however, participation in planning and other SDA activity is voluntary and the PIC does little more than review plans submitted by the administrative entity.

In the remaining two SDAs where the PIC is purely advisory in nature, local elected officials set out to take control of JTPA from the outset, sometimes assisted by the State. They have largely succeeded in reducing the PIC role to ratification of local officials' plans, policies, and contracting decisions. In both instances, local officials warned the PIC that they would not accept any financial liability without control of JTPA. Aside from the liability issue, however, these local elected officials are strong and involve themselves in the full range of decisionmaking. According to the Associate in one of these SDAs:

> The city serves as both the grant recipient and the administrative entity for the SDA. In general, the city is currently operating the program much as it did under CETA. That is, from the city perspective, JTPA is considered to be a city program, just as was CETA. The names have been changed but the notion of a final authority resting in the city council remains firmly entrenched.
>
> The PIC is a new conduit of information and participation in the formation of employment and training plans and strategies; but in terms of overall organization and planning, the PIC has not made a large difference in the city operation of its employment and training activity.

In both of the SDAs dominated by local officials, the PIC "looks good," but controls very little. In one of these, the Associate reports:

> On paper the PIC is involved in JTPA planning, monitoring, and evaluation. The PIC's work is brought to the full city council for final decision, but every decision is scrutinized by the employment and training subcommittee of the city council. (Perhaps more importantly, on the other end of the decision process, the PIC's agenda is established in large part by the city employment and training staff.) City staff has not written even one contract at this time with any company represented on the PIC.

The Associate in one of these SDAs commented:

> The private-sector role can best be characterized as an "interested observer." The private members take their role seriously but defer to the local elected officials and JTPA staff. All of the staffing, planning, selecting participants, and contracting with training agencies is controlled by the local government's office. There is no question that the local government is the primary authority. A number of private-sector representatives are beginning to ask questions, mostly related to performance issues (relative effectiveness and cost-effectiveness). They may have a slight impact upon agency funding levels but almost everything is tightly controlled by the local elected officials.

1.2.3 Movement Toward Equal Status

In six of the twenty-two sample SDAs, Associates saw evidence that the PIC role may significantly change in the next year. PICs in this group had a purely advisory role in TY84, at least partly because local elected officials, or the old CETA staff were the only people able to plan and implement a JTPA program.

Members of PICs in most of these SDAs feel that timetables for TY84 plans required them to make decisions before they understood the choices. The Associate in one of these SDAs notes:

> This PIC, like many others in the State, experienced some early difficulties. The delay in startup caused by indecision and delays at the State level meant that the PIC had to make a number of significant decisions at their very first meeting before the members were familiar with one another, their responsibilities under JTPA, or the other actors in this arena. Many of the members resented having to make decisions in such a rush and being "steam rollered." In essence it became necessary to accept the advice of staff on faith. From this it may be assumed that the impact of the PIC on transition year operations was, of necessity, rather limited. However, it does not appear that this will be the case in future years.

From another Associate in an evolving SDA where the PIC had an advisory role in TY84:

> During the transition year, the PIC's role was advisory because of time pressure and low level of information about JTPA among the private-sector members. The PIC/SDA had to submit master and biennial job training plans two or three weeks after the PIC was in place, and then had to respond frequently and at short notice to the various set-aside RFPs from State agencies. The transition year was, in the words of a PIC member, a virtual "write off" for the PIC.

> PIC members, convinced of the need to engage in long-term planning, have designated a Planning, Evaluation, Allocation committee, whose role is to develop an employment and training strategic framework within which project proposals can be systematically evaluated. As a first step in that process, the committee contracted with a research firm to define the JTPA target population, review current community job training programs, and project the nature and type of future job vacancies. Further, the PIC has directed the SDA staff to develop forms for facilitating its future evaluation of proposals from service providers. These activities indicate that the PIC is not content with its advisory role, and is shifting toward a co-equal role with the staff.

In one SDA, it is the local elected officials, not the PIC, who are attempting to involve the PIC further in the overall JTPA planning. According to this Associate:

> It appears to some of the people with whom I have talked that, as some of the new PIC members become more familiar and comfortable with their role, the PIC will become more assertive and play a more influential role in planning and overseeing the OJT and customized training program. However, it does not appear that the private-sector members will play a particularly dominant role in such a move. Indeed, many private-sector members seem to be concerned primarily with the PIC's special program [i.e., OJT and customized training]. For several PIC members, the increased motivation for a more prominent role in planning and oversight for the entire SDA program is an increased realization that the PIC has a responsibility to perform these functions.

Evolving PICs are finding it difficult to define a role which is equal to that of local elected officials or staff. The following report on an SDA which was formerly a prime sponsor is quoted at some length here because it contains all of the elements present in SDAs dominated by professional staff agencies. As the Associate reports, however, the PIC in this largely rural

SDA is just beginning to "recognize its rights." This PIC is borderline, and might easily have been classified as purely advisory but for its preliminary moves to influence SDA plans.

> The organizational chart shows the county board of supervisors and the PIC as being "co-equal," with the JTPA staff as employees of the county. The decision over who would be grant recipient and administrative entity continues to be an issue. A vocal minority of the PIC (interestingly, all public-sector representatives) opposed the county, on the grounds that as long as staff are county employees, their loyalties will be with the county rather than with the PIC. In any event, the PIC ended up voting heavily in favor of keeping the county as grant recipient and administrative entity. The vote appears to have represented a yield to tradition, with the county offering an established and proven administrative and auditing infrastructure.
>
> There currently exists some controversy over who has planning responsibilities. Formal agreement on roles and responsibilities between the PIC and the board of supervisors for PY84 is still being negotiated, with current disagreement existing over both the proportion of funds to be turned over to the county for administration (the county wants the full 15 percent) and formal input into the planning process (the county wants staff to have a formal role). The PIC, recognizing its rights under JTPA, is resisting both moves. It appears that the PIC will win on the latter issue, while the outcome on the former remains to be seen.
>
> In terms of relative importance, the public-sector PIC members appear to exert a much more powerful influence on PIC decisionmaking than their private-sector counterparts. There appear to be three reasons for this. First, most have some background with public employment and training programs and are able to come up with workable suggestions for programs. Second, and related to the first point, these individuals are more experienced bureaucrats, and know how to get things accomplished in committees. The private-sector representatives are by and large small businessmen or farmers, with little or no experience in committee decisionmaking. Third, and perhaps most importantly, many of the public-sector

> movers and shakers on the PIC are able to work their PIC activities into their regular work schedule. In contrast, the private-sector PIC members must do their PIC duties in addition to their private businesses, and just don't have the spare time to put into it. As a result, they fall behind on what's happening and miss a lot of meetings.
>
> The decisionmaking power relationship between the PIC, the local elected officials, and the PIC staff is an interesting one. First, the local elected officials per se have virtually no impact on the JTPA program. . . . The power-sharing between the PIC and staff is more interesting. I would classify the relationship as somewhat less than equal, favoring staff. Theoretically, the PIC has control over the formulation of plan with staff as advisors. In practice, the staff presents the plan to the PIC planning subcommittee, which in turn offers alterations. These alterations have tended to be less than substantial, involving relatively minor changes in programs, target groups, and dollars.
>
> While staff are interested in as much autonomy as possible over program content, their relatively superior position in policymaking is not the result of an overt power play. In the end, the PIC merely defers to the expertise of the (veteran CETA) staff. Basically, staff has been able to easily convince the PIC of the feasibility of its proposed programs and the rationality of its proposed service mix. For example, the staff opposes support services and convinced the PIC to spend about 75 percent of the available funds on youth work experience instead.

Another SDA in which the PIC inherited a staff-dominated program from CETA is moving much more aggressively into an equal role.

> The major power to date in this SDA has tended to reside with the administrative unit and the local elected officials. However, the PIC is becoming increasingly aggressive about the definition of its role in directing the program. The current grant application process for PY 1984 is the first one in which the PIC will be playing a full and independent role. Since October 1983 the private-sector interest in having an input has been steadily rising. The

oversight committee is beginning to get serious about reviewing program performance. It is anticipated that differences between public and private members may begin to emerge as private-sector representatives begin to "throw their weight around." The PIC chairman reports that before this PY 1984 review the PIC has been forced to follow the recommendations of the staff because of the lack of time for a planning effort at the PIC level. In addition, there was not much carryover in membership from the old PIC in the multicounty consortium. Only three private-sector representatives had experience on the previous PIC. In essence, the transition from CETA is still ongoing.

1.3 The Transition From CETA to JTPA Continues

With the planning cycle for PY84 well underway, PICs which were purely advisory in TY84 planning can move into a more equal status with local elected officials and staff. The six that seem to be doing so will bring to twelve (out of twenty-two) the number of PICs which are either lead JTPA actors or have equal roles with local elected officials.

In most areas the role of the local elected officials or State agency has diminished under JTPA. Some attribute this to waning interest on the part of local elected officials now that public service employment has been discontinued. It also seems that SDAs with numerous units of local government have provided the setting for active or evolving PIC roles.

Among the remaining PICs that do not appear to be moving out of purely advisory status, two have memberships that have not yet developed into a stable, cohesive unit. Such cohesion is needed for a PIC to assert its "need to know" in learning about the program and its options. Another two seem likely to remain in the hold of assertive local elected officials. The last six of these advisory PICs seem to have no substantial barriers to developing an increased role, but are thus far content to let an experienced staff continue taking virtually all JTPA initiatives. It is an open question, however, how these local elected officials would react if the PICs became more independent.

As far as the PIC role in JTPA is concerned, the transition from CETA is far from complete. During PY84 we expect to observe even more change than during TY84. Availability of performance data for TY84, the application of performance standards by the States, and the commencement of substantial DOL auditing activities will, we believe, begin an acceleration of PIC transition to a more equal or primary role.

1.4 Employment Service Relations With SDAs

Relations of the Employment Service with the SDAs vary substantially. This reflects the variation in State organizational arrangements for the JTPA program; variation in the number and accessibility of subcontractors; the State solution to the liability problem; and the history of the relations between the CETA prime sponsor, the new SDA, and the Employment Service.

Relations were close in two SDAs. In one, the Employment Service was the administrative entity and operated the program. In another, it staffed the PIC, which was incorporated and was the administrative entity, and performed the contracting and monitoring functions for the PIC. Some PIC members in this SDA thought that they needed their own staff, since the proposals brought to them by the Employment Service reflected its position at the State level.

In four of the twenty-two sample SDAs, the Employment Service had a representative on the PIC but provided no financial or nonfinancial services to the SDA. According to the Associate from one of these SDAs:

> The director of the region's Employment Service office is a member of the PIC. Beyond that link, there is no significant involvement between the local office and the PIC. There are no services (for the coming year) offered by the region's Employment Service office.

For this group of SDAs, this degree of cooperation was lower than under CETA. One SDA reacted to the fact that at the State level, the Title III program and the Title IIA set-asides were retained by the State and allocated to the State Employment Service.

In another SDA in this category, there is no relationship between the PIC and the Employment Service because of the State-level relationship, but the cause is reversed. According to the Associate from the State, the PIC wanted the Employment Service to do intake and eligibility verification, but the Employment Service refused.

In another eight SDAs, the Employment Service is represented on the PIC and supplies nonfinancial services to the SDA. However, there are no contractual obligations funded by the SDA. For example, in a rural SDA the Employment Service had operated the CETA program in what was then a Balance of State area. With the shift to JTPA, the Employment Service wanted to be the administrative entity, but the activist PIC rejected this. The PIC hoped that intake and eligibility verification would be done by the Employment Service, but it refused.

In another SDA in this category, both cooperative and less than cooperative arrangements occur in the same SDA. The Associate reported:

> The Employment Service maintains two offices in the SDA. The manager of one office is a member of the PIC and the working relationship between his office and the administrative entity appears favorable. The relationship between the second office and the SDA is less than desirable. The administrative entity perceives that office as being uncooperative. According to the administrative entity, this Employment Service office does not refer potential program participants to the SDA. Instead, it directs applicants directly to the employer.

Finally, in another eight sample SDAs, the Employment Service provides the SDA with both financial and nonfinancial services. Again, history and personal relations seem to play a major role in these arrangements.

Cooperation does not always exist where there are financial arrangements. As noted in the State level report, in some cases the State required the Employment Service to perform the intake and eligibility certification for all SDAs, in order to avoid disallowed expenditures or to provide for State assumption of the potential liability. The following is from a large-city SDA in which there are financial contracts between the Employment Service and the SDA to provide these services.

> The relationship between the PIC and the Employment Service is strained at best. The Employment Service is a major subcontractor with the city to provide client certification, intake, and outreach. The head of the local Job Service office is a member of the PIC, but all parties interviewed agreed that this had little influence on the subcontract decision.

> Since the State is playing a dominant role in JTPA in this State, it basically requires that all SDAs use the Employment Service to do the certification to help avoid audit exceptions that it feels are most frequently tied to ineligible participants. However, the liability for ineligible participants has not been clearly determined to rest with the Employment Service subcontractor, the PIC, or the State. No one is sure what agreement has been made on this issue. While the confusion continues, little hope exists that the State would approve a plan that did not have Employment Service playing the certification role. As might be expected, the PIC wants the Employment Service to assume liability for all ineligible participants as a part of the subcontract.
>
> Unless the pressure at the State level changes, it seems unlikely that the local PIC can stop using the Employment Service totally. However, there will be continued efforts to limit the role of the Employment Service and probably continued conflict.

In summary, relations between PICs and the Employment Service seem to be a function of history and other factors, some of which are outside of the control of parties at the SDA level. As a result, these relations and the extent of cooperation, both financial and nonfinancial, vary substantially across areas, among areas within the same State, and between offices of the Employment Service within the same SDA.

There are some signs of a potential for change. One Associate noted that the most important part of JTPA was the Wagner-Peyser amendments changing the structure of the Employment Service and putting it more closely under each State's Governor. There are at least four things that appear favorable. First, the classic complaint of the CETA program operators was that the Employment Service saw its mission as servicing employers rather than participants. Under JTPA, it appears that some PIC and program operators are also taking this attitude. A second factor is the availability of funds under Section 7(b), which makes 10 percent of each State's Employment Service funding available to the Governor, who can channel them to SDAs for special services. These funds could encourage Employment Service participation, particularly in cases in which the money goes to the SDAs to buy those services. Third, a programmatic shift toward on-the-job training, skill training, and direct placement is more compatible with the traditional objectives of the Employment Service than, for example, work experience. This might lead to increased cooperation. (The one case in which JTPA and the Employment Service were cross referring job-ready persons and those in need of training is encouraging.) Finally, the reductions in the Employment Service budget and the loss of funds from CETA may, in the longer run, encourage cooperation.

1.5 Limits on Administrative Costs

To maximize the dollars used for training activities, JTPA requires that 70 percent of each SDA's Title IIA allocation be spent on training. Of the remaining 30 percent, a maximum of 15 percent may be used to cover the cost of administering the program. SDAs may apply for a waiver of the 30 percent limit to facilitate the provision of more support services on wages and allowances, but they cannot have the limit on administrative cost waived. However, the law directs that the cost of "program support" (such as counseling for job search participants) and any cost associated with the development of customized training are not to be considered administrative costs.

Further, to enhance the appeal of performance-based contracting in which payment is made only if specified outcomes are met, the law permits unit contracting in which all costs may be counted for training if the contractual agreement is for training that could lead to immediate job placement or if the contract is for a fixed unit price.

A developing concern among local operators is whether the limit on administrative costs would affect or alter plans for service delivery. The Associates were asked to explore this issue.

At the time of the Phase 1A observations in Spring 1984, many of the programs were just being established. As a result, numerous SDAs did not have their administrative structures completely in place. The availability of CETA carry-over funds enhanced the administrative capacity of several SDAs. Still, several SDAs anticipated problems of exceeding the 15 percent allotted for running the program and made adjustments before enrollment activity began. Overall, Associates in eight of the twenty-two SDAs indicated that administrative cost limits affected their ability to run the program.[2]

In the majority of these SDAs, the most pronounced effect of the administrative limit was a reduction in staff. This forced program planners to scale down plans for extensive recruitment, marketing, outreach, and program monitoring. In one SDA where this problem is thought to be rather acute, the Associate noted,

> It has been suggested to us by SDA staff that the limit on administrative costs may be a more important factor in shaping programs than the limits on stipends. Limited revenues for administration have yielded a small SDA staff which has limited ability to conduct extensive monitoring operations. Thus the SDA may be forced into a policy of contracting with fewer service operators to stay on top of the local evaluation process.

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[2] Only five of the twenty-two SDAs attracted non-JTPA funding for administration of Title IIA programs. In three of these the support was in kind (such as office space).

In another small SDA, the Associate reported that the local administrators view the 15 percent limit as punitive. Pointing out that their Title IIA allocation was relatively small, SDA officials argue that intake costs alone will consume 5 percent of the funds allotted for administration. This has left these officials apprehensive about their future ability to administer the program.

Staffing cutbacks reduced the number of personnel by over 75 percent in another SDA, forcing the program administrators to subcontract intake, certification, and placement services. This was done against the wishes of the PIC, which feared a loss of program control. Nonetheless, the county staff insisted that this subcontracting was necessary because the staff were "stretched too thin to be able to implement a new program and perform these functions as well."

A reduced level of planned services was perhaps the most significant problem attributed to the administrative limit by officials in one SDA. Plans to increase job search activity, develop publicity or recruitment campaigns, extend outreach activities through the use of a field staff, and organize special youth activities were all reconsidered and then eliminated because of insufficient funds.

In only a few SDAs did local administrators attribute changes in program design to the 15 percent limit on administrative costs. Where this happened, the change generally involved decreasing use of adult work experience in favor of job search and on-the-job training strategies. Associates in these and other SDAs point out that the effect of the limit on administration costs would be much greater if SDAs were prohibited from including costs incurred in the development of training or on-the-job training slots (i.e., placement) as a training cost. An Associate from an SDA that acknowledged the benefits of this strategy explained,

> The SDA staff unanimously agree that the unit-cost performance-based contracting process saved their lives, for it allowed them to maintain a significant share of what was originally deemed administrative cost under the veil of training cost to the contractor. Now under each contractual unit negotiated with a prospective contractor (referral, placement, etc.) an administrative element is inserted. . . .

In summary, because many programs were just getting underway during the Phase 1A observation period, Associates were unable to assess the administrative limit in detail. However, a few SDAs -- particularly the smaller ones -- did report a need to reduce staff and alter program design because of the 15 percent limit. Observations in Phase 2 of the study should yield additional information on this issue. It is anticipated that the SDAs with smaller Title IIA allocations may experience problems administering the program.

2. TITLE IIA TARGETING

JTPA requires that participants served under Title IIA be economically disadvantaged. The potentially eligible population for JTPA is considerably larger than that of CETA Titles IIB and IIC because JTPA has only an income criterion with no additional labor market experience requirements. In addition, JTPA allows for enrollment of up to 10 percent of participants in Title IIA who are not economically disadvantaged if they face other significant barriers to employment. The legislation indicates that this may include, but is not limited to, displaced homemakers, veterans, older workers, school dropouts, teenage parents, alcoholics, addicts, offenders, the handicapped, and individuals with limited English-language proficiency. The legislation does require that at least 40 percent of expenditures under the formula-funded part of Title IIA be used to provide services to youths (under the age of 22), although this ratio is to be adjusted to reflect local conditions. Finally, it specifies that service is to be provided to individuals receiving AFDC and to school dropouts on an equitable bases.

2.1 SDA-Level Targeting

The report on the Phase 1 State-level observation of this study indicated that few States added to the act's targeting requirements in the rules they passed down to the SDA level.

The actual targeting by the SDAs in the sample is shown in Table 2. Slightly less than half the sample SDAs indicated that their targeting was as in the law with no additional targeting goals specified. Another five of the twenty-two added a "significant segments" requirement to their targeting. These additions require service to specific groups in proportion to their numbers in the eligible population. Examples are displaced homemakers, dropouts, handicapped individuals, ex-offenders, and ex-addicts. However, the number of groups mentioned as significant segments is such that this addition probably doesn't mean much in practice since most of those individuals would also be economically disadvantaged. This is particularly true since, in most cases and following the procedures under CETA, a variance of 15 percent is allowed in the proportion served relative to the proportion of the eligible population represented by each group. If significant segments requirements do not, in fact, add to targeting, then roughly three-fourths of the SDAs in the sample did not extend the targeting beyond that in the legislation.

The other one-fourth of the SDAs indicated that they planned more or less attention to one or more specific groups.

Table 2. Targeted Groups in the Sample of Twenty-Two SDAs

As in the law	10
Significant segments added	5
Reduced targeting of older workers	3
Increased targeting of older workers	2
Increased targeting of AFDC	4
Increased targeting of general assistance recipients	3
Increased targeting of youth	3
Increased targeting of dropouts	1
Increased targeting of dislocated workers	1

Note: Several SDAs changed targeting for more than one population group.

Two SDAs plan to give more attention to older workers than their numbers in the eligible population, but three SDAs plan reduced attention to this group. Three SDAs planned service to youths above their representation in the eligible population. It will be noted later that four of the SDAs were having no problem meeting the youth requirement in the legislation and regulations; only one of those four is among the SDAs that indicated increased attention to youths. Four SDAs indicated increased attention to serving AFDC recipients and three indicated particular attention to serving general assistance recipients but only one of these SDAs indicated increased attention to both groups. In the two SDAs that indicated targeting on general assistance recipients but not AFDC recipients, at least part of the motivation was a reduced general assistance budget. In one of these it is planned that 47 percent of participants will be general assistance recipients.

Finally, only one of the SDAs plans disproportionate service to high school dropouts. This probably reflects the perceived problems in attracting dropouts to a program that does not offer stipends to trainees.

2.2 Title IIA: Factors Affecting Participant Selection

One of the major concerns among legislators involved in passing JTPA was that local program operators would "cream" participants--that is, they would focus training activity on the most job-ready members of the eligible population. The following factors were the basis for this concern:

- The number of persons eligible for JTPA is larger than for CETA, but the amount of funding is smaller, so there is more competition for the available training slots.

- The act emphasizes developing training slots in private firms, which may be more interested in the output they can get from a worker and less interested in the training they can provide to a worker.

- Performance standards in the act require local program operators to place at least a certain percentage of trainees in permanent jobs and to minimize the cost per placement, thus providing an incentive to design programs for those who can most easily be placed in jobs.

- The act limits payment of stipends and allowances to trainees, a provision that seems likely to restrict the number of highly disadvantaged persons with no savings or family support to live on while going through the training program.

Whether such "creaming" was actually occurring was one of the primary questions that Associates were asked to deal with in their analysis. Their assessments, as one might guess, do not point to simple program decisions being made "to cream or not to cream." Rather, they point to more complex situations which, in many cases, cannot be labeled positive or negative. This analysis will attempt to indicate the range of observed participant selection and programming decisions, and the rationale for these decisions. Three case studies of how these decisions are made in individual SDAs are contained in the Appendix to this report.

Even the question of who should be served is not as straightforward as it might appear. Section 106(b)(1) of the act states:

> The basic measure of performance for adult training programs under Title II is the increase in employment and earnings and the reductions in welfare dependency resulting from participation in the program.

Virtually all studies of the net impact of program participation have shown, on the average, the largest increases in these outcomes for those groups that were the most disadvantaged in the labor market at the time of program entry. Alternatively, those who were the most employable at the time of program entry showed the least net improvement in earnings. This suggests that programs can best meet their objectives by serving those highly disadvantaged individuals who are most likely to benefit from the training. However, the performance standards currently in force for PY1984 are termination-based measures of outcomes rather than indicators of longer term net gains. This further suggests that these measures could be achieved by enrolling the most employable applicants.

Another possibility is that the emphasis on the cost per placement might suggest a shift to shorter term programs that emphasize placement of the most job-ready. Not only does such a strategy keep placement costs down (less intervention for the employable), but it also increases the probability of obtaining high placement rates.

2.3 SDA Plans for Establishing a Priority Service Group

In developing plans for the delivery of Title IIA services, SDA program operators are apparently well aware of the problems they face in trying to match participants with local labor market demands while maintaining a commitment to serve those most in need. Although a few SDA officials were exasperated over the seemingly intractable nature of the problem, other SDAs did not view these difficulties as obstacles to serving the needy. In fact, some local actors saw the dilemma as sufficient motivation to develop innovative programs. This is evident among the six SDAs that planned to serve both the "job ready" and those most disadvantaged in their programs. Another five SDAs felt they would be able to target the most needy despite factors that discourage such efforts.

Perhaps the most common strategy for serving all segments of the eligible population was the proposed development of training components tailored to the needs of each participant. In one such SDA, cost-efficiency was viewed as an important criterion only for selecting subcontractors, not in determining the mix of program activity. The SDA felt that with this approach it could avoid forcing service deliverers to provide only those services that emphasize short-term training and rapid placement.

Of the ten SDAs that made no plans for targeting other than what the act requires, only four indicated that only the "job ready" could be served under JTPA. Officials in these four agreed that the combination of limits on the payment of stipends, and the performance standards stressing rapid placement and cost efficiency, necessitated focusing on "those who could most benefit from such training." The Associate in one of these SDAs reported:

> The PIC recognizes and is concerned with placement requirements under JTPA. This, coupled with the obvious fact that funding under JTPA can only provide for a small portion of those eligible, has resulted in a decision that the PIC should cream and should encourage program operators to do so. This means, almost by definition, that the most job ready, subject to constraints such as the 40 percent youth requirement, will be in IIA training programs....

Seven other SDAs that undertook no special targeting followed a variety of policies. According to Associates:

- Two tried to organize "good programs" that would be high performing and cost effective.
- One attempted to enhance economic development activity with Title IIA resources.
- Two tried to match participants with the needs of the local job market.
- Two lacked a clear focus on priorities for service to any particular group of eligibles.

In summary, half of the sampled SDAs indicated service to the most disadvantaged among JTPA eligibles despite the apparent obstacles. In addition, only four of the eleven SDAs that did not develop such plans decided to target Title IIA resources on the most "job ready."

2.4 Youth Requirement

JTPA requires that 40 percent of formula-funded Title IIA expenditures be spent on servicing youths (under age 22). Most of the States in the sample varied the percentage requirement for services to youths to reflect the proportion of the population represented by this group as prescribed by the law. Therefore, the youth requirement varies across the SDAs in the sample, as follows:

	No. of SDAs
Less than 30 percent	1
Thirty to 39 percent	2
Forty percent	8
Forty-one to 45 percent	5
Forty-six to 49 percent	3
Fifty to 54 percent	3

Although the lowest was 28 percent and the highest 54 percent, there is little variation around the national figure.

In the FY 1981 CETA Program (excluding Summer Youth and the Youth Employment and Demonstration Projects Act programs) youths accounted for 42 percent of all new CETA enrollees.[1] Further, of the youths in all program activities (classroom training, OJT, work experience, direct placement and the Private Sector Initiative Program), 45 percent were participating in work experience. Because JTPA has limits on work experience, fewer youths would be enrolled than under CETA if all else were equal. As a result, JTPA's capacity to serve youths is less than CETA's.

Given these limitations, it would be difficult for SDAs to serve youths as 40 percent of their participants. The fact that the requirement is for expenditures rather than enrollments further complicates the problem. Most of the Associates indicated that the percentage of youthful participants served needed to be higher than 40 percent in order to spend that percentage of funds on youths because the costs of serving youths are, in general, lower than the costs of serving adults. Several Associates estimated that a 40 percent expenditure requirement translates roughly into a 50 percent enrollment requirement. This, in combination with the limitations on the use of youth work experience as a program service and, as noted elsewhere in this report, the problems associated with enrolling out-of-school youth in training programs in the absence of stipends, has caused program operators more problems than any other area of implementation.

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[1] Westat, Inc., Continuous Longitudinal Manpower Survey, Report No. 15 Characteristics of Enrollees Who Entered CETA Programs During FY 1981, (October 1980 through September 1981). Employment and Training Administration, U.S. Department of Labor, Washington, D.C., December, 1982, Tables 4 and 5.

As noted elsewhere, the jurisdictions that mentioned having problems meeting planned enrollments also indicated difficulties enrolling the required number of youths. The Associate in a city/county SDA reported:

> The youth segment is proving to be a tough recruitment problem largely because of the elimination of support payments. According to the executive director, the increase in the target level of spending on youths combined with the elimination of support, and thus the reduction in the motivation for youth participation, has made achieving this target very difficult. [This SDA] does not anticipate meeting its programmatic goals for youth service and is hoping that penalties will not be invoked next program year. [The SDA] has recently taken the step of hiring a professional marketing firm to help recruit the youth population. It is reported that approximately 25 percent of all eligible applicants are youths. Achieving the State-mandated 44 percent youth service spending target would require spending nearly twice as much per youth as per adult enrollee. This appears to be impossible.

Only four SDAs were targeting a higher percentage of youths than required and thought they would have no difficulty achieving this goal. One that specifically targeted youths was using public-sector work experience and staying within the 30 percent limit by prohibiting any form of stipends or need-based payments. A second had received a waiver on the 30 percent limit on administration and support (including work experience). The third was a large city with a large, economically disadvantaged youth population; SDA officials anticipated no problem recruiting youths. The fourth was a large city that wished to emphasize service to youths.

It appears that meeting the youth requirement has been a major implementation problem. One alternative is that because of the limitations on the use of work experience, new programs (such as Sec. 205 exemplary programs or tryout employment) are needed to provide services to youths. However, this problem will continue to the extent that it results from the inability to attract youths (for example, because of limited stipends). At the same time, because the 40 percent youth expenditure requirement translates into a higher youth enrollment requirement, some reconsideration of the appropriate mix of youth and adult service may be in order.

2.5 Nondisadvantaged Individuals

Section 203(a)(2) of JTPA provides that up to 10 percent of the funds under Title IIA may be used to serve individuals who are not economically disadvantaged but have encountered other barriers to employment. Examples from the legislation include persons with limited English-speaking ability, displaced homemakers, older workers, veterans, offenders, alcoholics, and addicts.

There was discussion when the JTPA legislation was being drafted that this "window" was a way of providing an allowable error rate for JTPA, something that CETA never had. This issue was of particular concern to CETA prime sponsors since by far the majority of the disallowed expenditures under CETA resulted from serving individuals who were later found to have been ineligible. Further, the original Senate bill provided that individuals in this category, except for handicapped and dislocated workers, could not have incomes exceeding 250 percent of the income limit for economically disadvantaged status.

Only four of the twenty-two SDAs in the sample were actively using this "window" to provide service to particular groups. The Associates indicated that in these cases the emphasis was on services to handicapped individuals though the SDA plans indicated that it was available to all the groups listed in the legislation. Two SDAs applied income limits even to persons in the eligible nondisadvantaged groups--one of 110 percent and the other of 125 percent of the poverty level as set by the Office of Management and Budget (OMB). The Associate in the latter SDA noted:

> The 10 percent window for nondisadvantaged individuals is being used for any programs that enroll individuals who are not economically disadvantaged but who have encountered significant barriers to employment. Such individuals must meet one of three categories; either displaced homemakers, members of target groups within 125 percent of the OMB poverty level who are enrolling in training defined as nontraditional for that group, or dislocated workers. In addition, individuals enrolled in any upgrading program or as part of class-room or on-the-job training may be counted against the 10 percent not economically disadvantaged quota.

Two other SDAs had a few people in this category but did not intend to use it significantly. The remainder of the SDAs are not using the 10 percent window. In the words of one Associate, "the 'window' is closed." One reason for this is that with the large eligible population for JTPA, it is easy to find someone with almost any characteristic who is within the generally eligible (i.e., economically disadvantaged) population. One Associate noted that in an SDA where a group had petitioned to use the window for service to handicapped persons, "The JTPA administrator observed that he thinks that they can find enough handicapped who are also economically disadvantaged."

The most widespread use of the 10 percent window is for potential disallowed costs resulting from enrollment of ineligible participants. In fact in two States, the State retained half of the 10 percent and allowed the SDAs, in effect, an error rate of 5 percent. The Associate in one State notes: "The 10 percent window is presently being viewed as 'wiggle room' rather than a pot that could be used for some specific targets." The prevailing opinion on the use of the 10 percent allowance is indicated in the quote from an Associate in another SDA:

> Although the transition year plan stated the "window" would be used mainly to serve handicapped, ex-offenders, and persons with limited English, informally the PIC has said it would be used as a net to catch ineligible participants approved by mistake.

2.6 Use of Stipends and Need-Based Payments

Section 108 of JTPA provides that a maximum of 30 percent of the funds available to an SDA under Title IIA may be used for supportive services, half of any work experience costs, and administrative expenses. Further, there is a 15 percent limit on program administration. If the full 15 percent is used for administration, then 15 percent is available to pay stipends and supportive services, as well as half of any expenditures on work experience. However, the legislation also provides that an SDA may apply to the State for a waiver of the limit on services and stipends if factors necessitate more supportive services to, for example, support a more disadvantaged participant population. The State may then approve or deny the waiver.

Two sample SDAs applied for waivers of the 30 percent limit and one request was granted. The fact that no other SDAs applied seems to stem from either the belief that the State would not approve the waiver or from PIC members' concerns that application for a waiver would be inconsistent with the intent of JTPA.

As Table 3 shows, roughly one-third of the SDAs pay no stipend to their participants, although some do provide either case-by-case payment or reimbursement of transportation and child care expenses.[2] In the other two-thirds of the SDAs, some form of allowance is paid to participants in training (and, in a few cases, job search), but not to participants in work experience and on-the-job training. These payments range from $1 per day to $40 per week but average about $6 per day. Often they are in line with the Community Work Experience Program or WIN Demonstration rules for AFDC recipients. In addition, some of these SDAs pay for, or reimburse expenses for, child care, transportation, and some work-related needs.

Many SDAs do not pay allowances or stipends to AFDC recipients or Unemployment Insurance claimants. With AFDC recipients, this is usually because any income received reduces the size of the AFDC benefit. The use of JTPA funds for payments to these individuals would only subsidize State AFDC programs. In the case of Unemployment Insurance claimants, these payments would be considered income and preclude the receipt of benefits. An allowance or stipend provides no incentive for the potential participants to enter or remain in the program. An alternative assumption is that AFDC and unemployment insurance recipients

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[2] Since there is variation in what the SDAs call stipends and need-based payments (for example, an SDA may indicate it pays no stipends but does make standard need-based payments to all participants in training on the assumption that all participants are "needy"), we constructed the table on a consistent basis.

Table 3.

Stipend and Need Based Payments Practices of Sample SDAs

		STIPENDS		NEED BASED PAYMENTS			
SDA	Waiver	AMOUNT	NOTES	TRANSPORTATION AND MEALS	CHILD CARE	OTHER	OTHER SOURCES
1		$6/day or $30/wk	None to AFDC				Carryover funds
2		$40/week $25/week for AFDC	All income subtracted Not counted in benefit	Formula	Formula	Job related	
3		Minor	Case by case				Refer to other agencies
4		$4/day in training None to AFDC	Per capita family income less than $75/week				
5	Yes	$3.35/hour in CT					Refer to other agencies
6		$1/hour in CT		✓		Emergency	
7		None		✓	✓		
8		None			Available to non-AFDC		CBO services
9		None		1 of 3 counties			Private Sector contributions
10	Denied	$120/month $ 40/month $ 40/month	Long-Term CT Short-Term CT Dropouts	$.10/mile	30 slots		
11		$8/week					Lunch allowance, Public Assistance recipients
12		$5/day or $25/week in training	None to UI claimants				
13		None		✓	✓	Medical	
14		None		Reimburse Except AFDC	Reimburse Except AFDC		
15		$25/week in training	Only if relocate			Tools, Uniforms, etc.	
16		None		✓		Medical	
17		$2/day in training	Excludes UI, AFDC				
18		$5/day in classroom training or job search	UI & AFDC subtract	$3/day			
19		$30/week avg.	Formula				
20		None		$15/week	$30/week		
21		$1/hour for training Maximum $250/participant	None to UI claimants Not deducted for AFDC				Refer to other sources
22		✓	Classroom training only		✓		

✓ = NONSTANDARD PAYMENTS ARE MADE

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have "grants" and do not require stipends. Several Associates noted that this situation made it more difficult to attract this part of the eligible population and to retain them particularly in longer-term training programs. Attracting such persons to JTPA is particularly difficult when alternative employment, even at the minimum wage, is available.

Other SDAs pay stipends only to participants in long-term training or only to individuals forced to relocate to the training site. The latter happened in one of the more rural SDAs in the sample. Finally, a few SDAs indicated that they had not paid stipends for several years and that this was not new to JTPA.

In summary, the conclusion that two-thirds of the SDAs in JTPA are paying stipends or allowances would be correct but incomplete. In general, these payments are lower and more restricted than they were under CETA.

2.7 Limitations on Stipends

The limits on program stipends are a major factor affecting participant selection and participant self selection. This restriction, along with other program elements, appears to be generating a number of implementation problems for program operators.

Difficulties Attracting Youths

One of the problems cited most often was the inability to attract youths, particularly out-of-school youths, in the absence of stipends. These people typically have left school and, even if unemployed, may be unwilling to return to school or training without the incentive of some form of payment. The Associate in a large city SDA reported:

> The youth enrollments have been somewhat under plan in the first quarter of this fiscal year. City staff and program operators contend that there is a real problem of incentive for youths to participate in the program because of the limits on support. The contention is that there is no immediate gratification coming out of any of the youth-oriented programs and that the problem of most youths who need this assistance is that they have already had it with classroom training, lecturing, counseling, and so forth. The reason that they have either dropped out of school or are likely to is probably that they want money, not a $6.00 per day support allowance to hear lectures about good work habits.

From the Associate in another larger city:

> Some program operators expressed concern that they were having difficulty attracting young dropouts into some basic education programs. The rationale was that these are kids who have just left the school system; it's extremely hard to get them back into a training setting without the inducement of a stipend. However, several operators said that it may be good thing for the dropouts not to have stipends available. These kids may need some time away from a (classroom) training setting. Having a stipend available enabled them to postpone decisions about what they wanted to do.

In almost every SDA indicating some problems with enrollments, the problem related to the requirement that 40 percent (or the locally adjusted equivalent) of funds under Title IIA be spent on youths, as discussed above.

The difficulty in serving youths in the absence of significant stipends and the act's establishment of performance standards have combined to affect the age group served within the youth group. SDAs are more likely to accept youths who are already past high school age and old enough to start working full time than they are to accept younger persons. This occurs because very few SDAs have addressed the issue of determining competencies for youths. Therefore, the only positive outcome to meet the performance standards is job placement -- simply remaining in school is not a positive termination from the program. Other factors contributing to this age selection are the limit on the length of work experience allowed and the shift to "tryout employment," with its limited hours and required placement. An Associated noted:

> Although service is designed for those who are not job-ready, the SDA is committed to seeing them employed. It refused to recognize youth outcomes other than employment, in part due to abuses of the local work experience program under CETA. Consequently, high school juniors cannot participate in the in-school program.

Difficulties Retaining Participants

The lack of stipends also affects the ability to retain participants, particularly youths and female household heads, and particularly in longer-term classroom training programs that might result in substantial gains in earnings or reductions in welfare.

Service providers feel the effects of the retention problem in two ways. First, they must often enroll more participants than before. One JTPA director indicated that she had no problem keeping enrollments up, but that where they used to take four applications to fill four slots, they now take six. This can increase the up-front costs under a performance-based contract.

Second, in the absence of stipends, youths and female household heads may drop out of the program to take a minimum wage job. A function of stipends was to serve as an incentive to stay in the program, particularly in the case of longer term classroom training programs. According to the Associate in one large city:

> There is some evidence that the lack of stipends has affected enrollments. However, the effect has been in the _type_ of program in which participants are willing to enroll rather than in the number of participants.
>
> The type of program that has been most negatively affected by the lack of stipends is classroom training. According to the supervisor in charge of this program, it is unrealistic to expect the average JTPA participant (below the poverty line) to make the sacrifice to go through training (even with limited need-based payments) when they could go through OJT or limited work experience and receive monetary compensation.

Weeding Out Those Seeking Stipends

The lack of stipends also eliminates some potential participants who are responding to the availability of the stipends. This is consistent with emphasizing training for those who primarily want to be trained. At the national level, this might be described as shifting the program away from an income maintenance function and toward a training function. At the program operator level, it means directing the program toward those who are most likely to benefit. According to the Associate in one SDA:

> There is a strong consensus in this SDA that JTPA is to be a training program rather than a social service program. Thus, there is very strong support by the PIC and staff for the ban on stipends. This is viewed as a very positive aspect of the program because it is eliminating those participants who previously had enrolled in CETA in order to get the stipend. The SDA has had no difficulty in enrolling clients and the clients who do enroll are considered more highly motivated than those in CETA. Some persons on the CETA carry-over did drop out when the stipends were stopped and it is believed that some of the very poorest potential clients are not applying because of the ban on stipends.
>
> The initial indication is that stipends will affect participation by the poorest part of the population and little effort will be made to counterbalance this effect (except for GED). Indeed, everyone I talked with felt this was desirable since it is screening out that portion of the population that relied on CETA for a social program rather than a training program.

From the Associate in a rural SDA:

> In the words of SDA administrative staff, despite dire predictions from program operators, "doomsday hasn't come yet." It was reported that operators are having to work harder to get enrollees. Additionally, to offset the limited stipends, operators appear to be moving to shorter term programs.
>
> On the other side there is a process of self deselection going on among potential enrollees. Most enrollees appear to have some source of support other than JTPA meaning that the really "down and out" are not being served. The lack of a sufficient "carrot" was noted as making it particularly difficult to entice youths into programs. Given the limited funding for JTPA and the desire to make it a training program, this is a desirable outcome. It will allow more training and probably greater gains from a limited budget.

The PICs and SDA program operators do not necessarily see this as a disadvantage of the program, but rather a way to serve those participants who are more motivated and want the training. Further, they often see this group as the most likely to benefit from the program and, therefore, the group the program was designed to serve. This is indicated in the following assessment of an Associate in a southern SDA:

> The PIC staff agrees that lack of stipends makes recruiting more difficult, but not impossible, and that the participants are better. Almost 85 percent have a high school diploma and most have previous job experience. Most realize they need better job skills.

2.8 Changes in the Service Mix

As indicated elsewhere, JTPA mandates certain changes in the available service mix, such as moving the program away from work experience. At the same time the combination of a private-sector emphasis, performance standards, and cost limitations has tended to change the service mix more toward on-the-job training and classroom training. Because program operators decide what program activities are appropriate for particular participants or, more accurately in some cases, which potential participants are appropriate for particular program activities, some change in participant selection is likely to occur. This preference is indicated in the following assessment by an Associate.

> There is no observable, conscious effort to stress one over the other [the neediest versus the most job ready]. The key determinant is the type of program involved. In the case of OJT, job search, and, to a lesser degree, limited work experience, the natural emphasis is on serving the most job ready. In the case of classroom training, especially remedial and exemplary youth programs, the emphasis is now on serving the most needy. However, from a technical perspective, the emphasis is a decision left up to each subcontractor.

The change in the service mix can therefore alter the participants selected. In the case of on-the-job training, the employer must be willing to hire the individual and is unlikely to allow much preselection on the part of the program operator. The fact that OJT contractors know this may affect their selection of participants who are more job ready. This is indicated by an Associate who noted that "it is recognized that employers want persons who are well qualified, and in particular, all must have a high school degree or GED."

The same can be true with other types of training, and this may affect participant selection procedures. In one large SDA, procedures for enrolling participants have been altered to emphasize skill levels at entry into the program.

> The SDA is naturally concerned with placement and uses performance-based contracts with holdbacks for non-attainment for most of its projects not specifically designed for youths. . . . This, along with the fact that more time, effort, and documentation are required for eligibility certification, has caused the SDA to modify its intake procedures. Under CETA, eligibility was determined first, then qualifications were assessed, and then counseling was provided. Now, the first step is a preliminary assessment of eligibility and the second step is an assessment of qualifications for training programs. It is only after an individual is determined to be qualified for training that the time is taken for a complete assessment of eligibility.

2.9 Summary: Back to the Question

JTPA emphasizes training that will benefit the participants as measured by improved employment, earnings, and reduced dependence on welfare. It attempts to accomplish this by reducing the income maintenance aspects of the earlier programs, and by emphasizing training, measurable program performance, and ties to the private sector.

On one hand, these changes should reduce the participation of the eligible population who only responded to the income maintenance aspects of the CETA program. For example, the limitations on stipends may reduce the participation of those reacting only to the presence of stipends.

The other side of this issue is that with reduced resources, a lack of stipends, the need to run shorter term programs, and the necessity of producing certain program outcomes, program operators cannot afford to serve those who need the largest investment of training resources in order to become employable. These individuals often also require some form of support while in the program and may have a lower probability of placement upon completion. It was noted at the beginning of this section that program evaluations typically indicate that the largest net effects of those programs occur for the most disadvantaged in the labor market. The corollary to this is that these gains are often accounted for by a relatively small proportion of the participants. In the face of a placement rate performance standard, program operators cannot afford to gamble on the most disadvantaged persons.

The question of creaming versus performance is not as clear-cut as it is often posed. Indeed, questions about this caused some program operators to bridle at the suggestion that they were not serving those who would benefit the most from the services provided. However, there are limited resources available to provide those services and choices have to be made. Perhaps this was best expressed by the Associate in a rural SDA:

> Almost everybody I spoke to specifically emphasized their commitment to serving the neediest, suggesting that they felt serving the neediest was under question or attack by JTPA. Some operators say they are not able to serve "bottom of the barrel" people anymore; they don't have the money. "They used to serve everybody, even those with little potential, but that is no longer possible."

3. TITLE IIA SERVICE MIX

Title IIA allows SDAs to choose within a wide range of service strategies, but several factors constrain the choices of local operators. The legislative prohibitions on public service employment and the limits placed on work experience were expected to significantly alter the type of services provided. In addition, the overall reduction in funding forces reconsideration of strategies that may no longer be feasible or cost effective.

Just as their CETA precedessors were in 1974, some SDA officials are also constrained by the range of existing subcontractors in the community -- at least at the outset of the program. When CETA programs were implemented, officials could choose program operators from previous programs. Therefore, initial programming decisions reflected the capacity and influence of these operators. Similarly, with JTPA the necessity of starting a new program, building up enrollment levels, and spending available resources often dictates reliance on CETA subcontractors.

Other major factors affecting service strategy are the limitations the act places on stipends and the emphasis on establishing private-sector training slots and achieving performance standards. The limits on stipends may reduce the attractiveness of the program to some of the most disadvantaged, thereby altering the nature of the participant pool and service strategy. The need to develop private-sector training slots can lead to concentrating of resources on skill training programs aimed at direct placement with less emphasis on the more developmental services designed to enhance employability skills (such as work experience). The need to meet performance standards and, at the same time, keep down the cost per placement suggests movement toward short-term, low-cost activities to facilitate a large number of inexpensive job placements.

This section examines how the sum of these factors shaped the type of services provided in the early stages of Title IIA. Three case studies included in the Appendix to this report indicate how these decisions were made by specific SDAs.

3.1 Service Subcontractors

In virtually all twenty-two sample SDAs most service subcontractors had also been contractors under CETA. In half the SDAs, the subcontractors were identical to those used by the CETA prime sponsor. In another seven SDAs, they were a subset of the CETA subcontractors. Contracts with some were not renewed because (1) the kind of service that they provided was eliminated in the new program (e.g., work experience); (2) they did not perform well under CETA or were unwilling to undertake a performance-based contract; or (3) they simply did not apply. This happened whether the SDA was an old CETA prime sponsor or a new organization. The reasons for this are found in the following quote from the Associate in a new SDA:

> The PIC had to decide, as October 1 approached, whether to attempt launching its own program from scratch or move ahead provisionally with the only game in town -- the existing CETA contractors. They chose the latter course, deciding to divide the transition into Phase I (October 1 - December 31) and Phase II (January 1 - June 30). For Phase I, the PIC automatically extended all CETA contractors with the idea that it would evaluate their performance before approving Phase II funding. In the meantime, the PIC would also proceed with its own planning internally in order to develop a program with its own imprint.

> It is important to note that the Phase I arrangement with former CETA contractors was strictly pragmatic. Neither the PIC nor the LEOs had any particular political ties with these contractors, whose programmatic and political connections were with people in county government. When the new SDA was created, these connections were severed.
>
> During Phase I, the PIC began to find its own sense of direction, and to make some decisions about program emphasis. It decided, for example, to focus on OJT and classroom training; and to withdraw support from organizations that had concentrated on outreach, placement, and supportive services. Job placement, in particular, was regarded as duplicating the function of the Employment Service, and therefore should not have a priority claim on JTPA resources. A second important PIC decision was to establish an in-house capacity -- in effect to contract with itself -- for "customized training" programs and other special projects.

Only three SDAs used some new subcontractors. This was usually connected with an increase in OJT or classroom training contractors. One SDA provided essentially all services in-house -- although it had largely done this as a prime sponsor as well.

As the quote above also indicates, it is likely that there may be adjustments to these arrangements as the PICs and SDAs have time to examine other potential contractors and to obtain performance data on the current contractors.

3.2 Elements of Service

Shorter Term Training

Several Associates mentioned that the SDAs, even when they were using the same subcontractors that they used under CETA, were attempting to buy shorter-term training, particularly classroom training. Nine specifically mentioned the shift to shorter-term training as a part of the changes made to date and likely to be continued in the future. In part, this is a response to the lack of stipends, though there is also some belief that it will reduce the cost per placement. The Associate in one SDA noted that "Short-term training has been emphasized because of the lack of stipends. Training cycles usually run eight or nine weeks."

Increased Use of On-the-Job Training

Private sector involvement in JTPA and representation on the PICs has increased attention to on-the-job training (OJT) as the preferred training strategy. On the one hand this means more attention to the "marketing" of OJT to private-sector firms within the area and using the PIC and its private-sector members to assist in this activity. The most extreme example of this comes from a new SDA with an active PIC:

> In implementing this strategic planning approach, the PIC has divided the SDA into two "marketing territories" and has also organized lists of private employers in "growth industries" according to the number of employees in each firm. There are four groupings: 1 to 49 employees; 50-149; 150-249; and 250 and above. OJT subcontractors are expected to work the small firms; the PIC corporate staff will take the two middle groups; and the PIC Board and Executive Director are responsible for the large employers.

There are also indications of increasing use of low-wage OJT contracts, of the type represented by some entries in the following table.

Job Title	Wage	Hours
Biomedical Tech.	$ 7.20	560
Carpenter	10.00	236
Secretary	3.76	550
Day Care Aide	4.00	1,000
Nurse Aide	3.36	232

The first two jobs in the table are indicative of the standard OJT contract, with the number of hours related to the skill level of the occupation for which the participant is being trained. The second three seem to fall somewhere between traditional OJT and work experience with a 50 percent wage subsidy.

This kind of programming may also affect performance standards or be affected by them. On the one hand, OJT normally has high initial placement rates because of the advance commitment of the employer to hire the individual participant. Therefore, this sort of programming will assist in meeting the placement rate standards and will also contribute to holding down the cost per placement. However, the use of shorter-term, lower-wage OJT contracts may adversely affect the average wage at placement. This is reflected in the comments of an Associate in a rural SDA that has already lowered its expected average wage at placement because of the nature of the local labor market:

> The emphasis on OJT seems to reflect employer demand. Employers want OJT contracts. There appears to be more demand than the local offices can meet. The Employment Service likes OJTs because they cost less than classroom training, are short term, and yield 80 to 100

percent placement. There is some concern with the low placement wages that this year's contracts are yielding and with meeting the wage at placement performance standard.

One final potential of using low-wage OJT placements is that they may be in occupations that have relatively high turnover, which may hurt longer-term program outcomes. Under these circumstances, it is also possible that the program can directly subsidize training costs for the firms using this kind of OJT contract. Several Associates report comments in which this was referred to as "corporate welfare," -- the program is subsidizing the training costs of employers with relatively high turnover rates.

Phase 2 of this study will examine the kind of OJT that is being undertaken, its length, and the wage levels of the participants.

Tryout Employment

At least five SDAs had a tryout employment program. Most provided up to 250 hours of subsidized work in a private firm (usually for in-school youths) and required that a similar contract could not be written with the employer unless participants were hired on the permanent payroll after the tryout employment period. In one case the program consisted of classroom training in the world of work followed by a tryout employment period.

Exemplary Youth Programs

Several SDAs were operating exemplary youth programs under Section 205 of the act. These ranged from two-and-a-half-week world of work sessions for in-school youths to sixteen-week remedial classroom programs for out-of-school youths. One SDA also offered a training program to prepare CRT operators for a specific employer.

Customized Training

Several SDAs were operating customized training programs for specific firms. These programs were largely OJT contracts for specific occupations or, in a few cases, vocational skill training geared to a particular firm. The difference between this and regular skill training was that the employer had to agree to hire the participants before the training began.

3.3 Service Strategies

The observed service mix in Title IIA indicates two major shifts in service strategy under JTPA. First, there appears to be a decreased amount of work experience provided and increased classroom training to train participants for specific occupations in the local labor market. This decrease in work experience is no doubt related to the legislative requirement that 50 percent of the wages paid for work experience must be applied to the 30 percent cap as a non-training cost. Most SDAs responded by simply not developing work experience slots; in the few SDAs that did provide work experience, the focus was usually on youths, and the work experience was shorter than it had been under CETA.

Although classroom training was heavily emphasized under CETA, the nature of the service provided was quite different. Classroom training included occupational instruction, basic education, and remedial instruction for persons thought to have limited potential for employment. Enrollees were predominantly female parents, Hispanics, and other non-whites with limited education skills and work history. So, although training was provided for entry-level positions, usually in the clerical and service industries, most resources were used to influence educational competencies and employability skills.

While some of this has continued under JTPA, the SDAs appear to be developing more employer-specific classroom training which, in a few SDAs, has been preceded by commitments from employers to hire graduates. In a typical case, the local operator solicits the interest of local employers in the program and works with the employer in developing the appropriate strategy. The employer specifies the minimum requirements for education and prior work experience, monitors the program as it develops, and selects persons who successfully complete the program.

For example, in one SDA, the program operator spoke of a "single-function classroom training" concept that was used to tailor classroom training to three major industries in the area. Participants are receiving intensive instruction in offset printing, sheet metal work, and data entry. In another SDA the Associate provides the following program description:

> The contractor will provide sixteen apprentice positions for public high school seniors who plan to enter the labor market upon graduation. Participants will be placed with employers approved by the State apprentice training programs. The employer-paid pre-apprenticeship will be conducted part-time during the school year. Students who successfully complete their training will have permanent full-time employment with their sponsor as registered apprentices. . . .

While designing programs in this manner obviously enhances the possibility for employment, several SDAs are discovering that employer qualification requirements are making it difficult to serve the most disadvantaged. Employers often require that participants have at least a high school education or its equivalent, and, with the exception of the youth programs, prefer that participants show some work history. In addition, the inability of program operators to pay stipends and the requirements of positive termination may have further limited their ability to serve the most disadvantaged. The following account by an Associate is an example of this problem:

> Many adults and youths who are eligible for Title IIA have low levels of basic skills. Hence operators are having difficulty finding enough economically disadvantaged. At the same time that vacancies in training programs exist, many eligibles are not being admitted because of math and reading deficiencies.

Another Associate notes:

> Considerable council attention has been paid to avoid paying for education (basic skills) services. All participants must be high school graduates before training.

In one SDA participants had to demonstrate an aptitude for office work, possess a high school diploma or a GED, and pass an admissions test to be qualified to enter any of three classroom training programs. Placement performance requirements and demands of private employers do not encourage strong program efforts directed toward persons who lack basic skills and competencies or are not familiar with the requirements and procedures of the world of work.

The second major shift, and perhaps the most notable change in service mix under JTPA, is the increased reliance on OJT. During the first fiscal year in CETA, not more than 12 percent of the enrollees were placed in OJT slots. While specific information on the number of JTPA enrollees placed in OJT is still being developed, the Associates were able to identify fifteen SDAs that have committed more than 15 percent of their Title IIA resources to such training. Nine of these fifteen SDAs have committed at least 26 percent of their resources to OJT. And, two of these nine have targeted OJT contracts for over 50 percent of their Title IIA funds. In total, twenty-one of the twenty-two SDAs are emphasizing OJT contracts.

One potential limit on the use of OJT is the cost-per-placement requirement built into the performance standards of the act. The normal OJT subsidy rate is 50 percent of the wage and the length of the training period is related to the skill level of the job. Such a subsidy can significantly increase the cost per placement, if moderate to high wage jobs and long subsidy periods are involved.

Use of OJT does, however, produce high placement rates. Indeed, thirteen of the twenty-two SDAs expressed an interest in OJT because of its placement potential. An Associate in an SDA with over 40 percent of its money in OJT contracts explains:

> From the point of view of the staff. . . the two most important goals for the JTPA program appear to be (1) providing good training and (2) meeting performance standards. As a result, the program is heavily biased toward youth and heavily emphasizes cost-efficiency in the selection of adult programs. Service mix is oriented almost exclusively towards OJT and work experience. More than anything this reflects staff biases regarding what good training is and what will result in positive terminations.

In another SDA with strong emphasis on OJT, proposals to operate a Title IIA program were selected on the basis of a point system that awarded the greatest number of points for the positive termination objective listed in each proposal. This strategy favored subcontractors that either developed occupational classroom training programs with targets on specific industries, or established OJT slots for participants in various firms.

Many of the thirteen SDAs that prefer OJT programs also believe that the cost per placement is minimized by establishing short-term OJT contracts in firms that pay wages not much above the average wage performance standard. An example of this was observed in a county SDA that wrote 152 OJT contracts in TY84. Each contract required the SDA to pay a 50 percent training subsidy. However, in only 49 cases did the SDA contribute more than $2.50 per hour. Moreover, in a number of these contracts the OJT was for entry-level positions with training that lasted only three months. In a similar situation an SDA originally planned to establish "cost-effective long term contracts" of six to nine months, but decided to shorten the training to three to four months so that more employers could be served.

Perhaps the most significant advantage of OJT is that it allows program operators to serve mostly individuals who are considered "job ready." Many have extensive work histories and the necessary job skills, thus eliminating the need for pre-employment services. As a result operators do not have to spend resources on developmental or employability services.

Five of twenty-two SDAs decided to broaden their service strategy beyond OJT and skills training to treat many of the "hard to serve" individuals. Components have been established to address basic educational problems, personal problems such as alcohol abuse, motivational problems, problems that stem from insufficient knowledge about the working world, and skill deficiencies. As noted by an official from one of these sites, "providing someone with welding skills is no good if they can't stay sober." The Associate further indicates "some of this training is in the realm of orientation to the world of work, but it is mostly life-coping skills. Clearly, the SDA regards the development of an individual's concept of self as the most important part of the services they provide."

Most SDAs in this category pay the maximum stipend allowed; in two cases, additional support was raised outside of the JTPA system. Efficiency problems are acknowledged by three of these SDAs. However, in one case the Associate reports that these efficiency concerns had not decreased the commitment of the SDA to serve the poor. In another SDA, program operators simply refrain from reporting the most disadvantaged as participants until they are "job ready."

3.4 Plans to Change Service Mix in PY 1984

In addition to determining the service mix that the SDAs are currently using and the change from that provided by CETA, the Associates were asked to assess the likely change in the mix in their SDA in the upcoming program year.

Half of the SDAs plan no change in the existing service mix in the next year. Not surprisingly, these were usually SDAs that had been CETA prime sponsors. However, there were other reasons as well. Several indicated that they didn't have time to plan any extensive changes and noted that they were having to plan their activities for PY84 before they had any performance data on their current programs and service subcontractors. Some noted that they currently anticipated no change, but that as performance data became available they would make changes toward the "good performers."

Also not surprisingly, of the other half of the sample SDAs, those which indicated that they intended to change their mix of services in the next year, the largest group (six SDAs) indicated that they would attempt to use more OJT or would "market" OJT to employers in the area more heavily. One also indicated that it would emphasize customized training (mostly OJT) more in the upcoming program year.

Two SDAs indicated that they would test tryout employment next year as a way of serving more youths. At the same time, one other SDA (a large city) that had run a tryout employment program in the first year indicated that it would not emphasize it in the next program year because of lack of interest from private employers.

Three SDAs indicated that they would do more institutional training in the next program year, although one suggested that there would be a shift to shorter-term training. At the same time, two SDAs indicated that they would use less institutional training (and fewer educational institutions). In one case, this was because educational institutions would not agree to performance-based contracts and wanted to charge the JTPA program a higher tuition than they did for regular students. Their reasoning was that they had to do outreach, assessment, and eligibility verification on the JTPA program while regular students were walk-ins. In the other case, the SDA was having difficulty finding students who could, except for those on AFDC, afford to stay in the program long enough to complete them without stipends and allowance payments. One of these programs intended instead to use increased work experience for that part of their eligible population. Finally, one SDA was not far enough along with its planning for the next program year for the Associate to be able to determine what the likely direction of the programming would be.

4. PERFORMANCE AND LIABILITY

4.1 Use of Performance-Based Contracting

Congress wrote into JTPA several performance standards that SDAs are supposed to meet.[1] A number of SDAs have extended the principle of performance standards to their contracts with service providers under Title IIA by using "performance-based" contracts. This approach, in general terms, involves paying a service provider on the basis of the number of program participants who reach a specified final outcome (such as job placement) or intermediate outcome (such as completion of training). This approach is in sharp contrast with the more traditional method of reimbursing contractors for their costs (plus a certain percentage for profit in the case of profit-making firms).

Almost two-thirds of the sample SDAs (fourteen of the twenty-two SDAs) used performance-based contracting, some of them exclusively. Equally important, half of the SDAs that do not use performance-based contracting as such indicated that their contracts specify performance expectations and include some sanctions if a contractor fails to meet these expectations. Moreover, several of the SDAs that currently do not use performance-based contracting plan to use it in the future, usually as early as PY84, and several SDAs that now use the approach to a limited extent plan to use it on a larger scale in the coming year. Thus, performance-based contracting is likely to be widespread in Program Year 1984.

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[1] See Robert F. Cook et al., "State-Level Implementation of the Job Training Partnership Act" (Rockville, MD: Westat, Inc., May 16, 1984), pp. 3-27 through 3-33.

Performance-based contracting is so frequently used primarily because it fits in with the policy of many PICs stressing observed performance and incentives. The use of performance-based contracting is not without precedent under CETA, but its expansion is an important feature of early JTPA implementation. Several SDAs reported that performance contracting was used under CETA as well, but in other instances this was a radical departure from the cost-reimbursement contracting typical under CETA. Some SDAs that are not using performance-based contracting during the transition year complained about the complexities and time necessary to shift to the new system and plan to make the shift in PY84. In contrast, no SDAs currently using solely cost-reimbursement contracts reported the use of performance-based contracting under CETA.

The role of performance-based contracting in institutional change is characterized by the following observation of one Field Associate:

> Everything in 78 percent money of Title IIA is performance based, even the Employment Service contract for intake. Title III funding and 22 percent funding under Title IIA are not entirely performance based yet, but should be before too long.[2] This is because the PIC mandated it; otherwise there would never have been performance-based contracting. The PIC wanted to distinguish their involvement with such contractors, all of whom were also CETA subcontractors, from the relationship which existed under CETA. The idea was to dispel any notion that the transition from CETA to JTPA would be "business as usual." Also, the private sector representatives believe . . . that such contracts are good business procedures.

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[2] The phrase "78 percent money" refers to Title IIA funds allocated to SDAs on the basis of a formula; these funds pay for basic Title IIA training services. The phrase "22 percent funds" refers to the portion of each State's Title IIA allocation that is set aside for particular purposes--coordination of vocational education programs, older worker programs, incentive grants to SDAs exceeding performance standards, and State administrative costs. See Cook et al., p. 3-3.

Performance-based contracting is not a simple or uniform institutional arrangement. Rather, contractual arrangements with varying degrees of performance-based reimbursements may be viewed as parts of a continuum. Some contracts are based exclusively on achieving a clear-cut outcome goal, such as placement or job retention. Others specify payments upon the achievement of a series of intermediate goals. This complexity is illustrated by the following description by the Associate from one SDA:

> An example of a performance-based contract is the one for word processing with a local community college. Initially, this contract was to cost $4,875 to train fifteen persons. It was changed by the PIC to be performance based and the contract was increased to $6,075. The increased cost was to compensate the college for placement services. The contract provides the following:
>
> | | | |
> |---|---|---|
> | 1. | Payment for assessment/testing.
$25 per person, 15 enrolled | $ 375 |
> | 2. | $200 tuition per participant | 3,000 |
> | 3. | $135 for all completions
(plan 12 completions) | 1,620 |
> | 4. | $125 for each placement
(plan 8 placements) | 1,000 |
> | | TOTAL | $6,075 |
>
> The contract does provide that if the program operator exceeds the planned performance, it will be paid for each additional person who completes or is placed. Thus, if all fifteen persons complete the program and are placed in employment, the PIC will pay the college $125 for each, or an additional $875. In this contract, and others, it is expected by both the PIC and the program operator that basic program costs will be covered by the tuition and assessment fees. If completions and placements are successful, that will be the profit for the program operator.

The most widely cited advantage of performance-based contracting is its seemingly straightforward link with the stress on placement in the act's performance standards. Many PICs believe that performance-based contracting facilitates the achievement of JTPA's basic performance objectives. Other secondary advantages have also been cited. One is lower administrative costs, and particularly the possibility to treat administrative costs as "training" costs. Another is the flexibility associated with an output-based, rather than an input-based, system of remuneration.

Some concerns and potential drawbacks have been mentioned in various SDAs, however. One concern is that performance-based contracting might contribute to discouraging service to those most in need. This may become a significant issue, particularly in light of the use of "significant segments" targeting in some States. Another potential source of future problems is related to an important, though not fully understood, difference between the incentives created by performance-based contracts at the sub-SDA level and the Secretary's performance standards model applied to the SDA. While the Secretary's methodology incorporates some adjustments in standards to reflect the composition of those served, even the most complex performance-based contracts ignore the composition of the population served. Costs may also influence the SDA's ability to meet performance standards. Some SDAs feel that contractors operating under performance-based contracts will inflate costs to protect themselves against the risk of nonplacement. Since incentives promoting cost-inflation are endemic to cost-reimbursement type of contracts as well, the net results are difficult to predict.

Some concerns were expressed about the complexity of performance-based contracts, and primarily about the start-up costs and time required to develop them. Obviously, the effective monitoring of outcomes, especially if job-retention measures are also used, may seriously burden the SDAs. Some problems are associated primarily with initial implementation, but the design of efficient monitoring systems may take substantial trial-and-error experience.

Contractors are also concerned about the potential for substantial up-front costs associated with uncertain revenues. This has been a concern with respect to community-based organizations (CBOs). However, the possibility of periodic partial payments, as well as the range of intermediate contracting arrangements, alleviates this problem somewhat:

> The problems with CBOs of performance-based contracts come from the cash-flow implications: CBOs who cannot wait for reimbursement cannot afford to participate. However, as the SDA staff director pointed out, the law allows for periodic partial payments to assist the cash flow of the CBO subcontractors. That practice has facilitated the participation of CBOs locally. It is the intention of the PIC to stimulate future participation of new vendors in JTPA. At this point, however, CBO involvement has not decreased.

The complex web of interests and incentives is shown by the following assessment of the role of performance-based contracts in one State:

> Most contracts for training that is expected to lead to job placement are performance based, unit-cost contracts. These contracts have holdbacks for failing to achieve placement standards of from 10 to 50 percent.

> Programs which are not expected to result in job placement tend to have cost reimbursement contracts. The reason for performance-based contracts is that they have two rather obvious but important perceived benefits. First, they provide program operators with incentives to place workers in unsubsidized employment which in turn will increase the placement rate for the SDA. Second, unit-cost contracts allow the SDA to allocate all costs to training. From an operator's point of view, these contracts have an obvious disadvantage in that they involve financial risks should they fail to place participants. In order to maximize the likelihood of placement, performance-based contracts tend to have math and reading requirements that keep many potential participants with educational deficiencies out of the programs.

Due to these complexities, the full evaluation of the effects of performance-based contracting should wait until more data on operator selection, participant mix, costs, and various program outcomes become available.

4.2 Title IIA Performance Standards

As the Phase 1 State-level observations indicated, most States adopted the Secretary's recommended local adjustment methodology for performance standards without any adjustments. However, six of the twenty sample States adjusted the Secretary's model. These adjustments fall into three broad categories: (a) changing specific parameters; (b) waivers granted to specific SDAs; and (c) reduced inter-SDA variation in performance standards.

This State-level situation was reflected in the SDA-level observations as well. One sample SDA reported that the State had not established final transition year performance standards. In another SDA the transition year standards were not known yet, although the State announced the standards-setting methodology. In this State, the Secretary's methodology was to be used, and the necessary computations were to be performed at the State level, but the actual figures had not been distributed to the SDA.

The most common adjustment permitted by States was the average wage at placement. Some SDAs reported the use of performance standards not included in the Secretary's model. For example, "cost replacement" and "cost determination" standards were reported in one SDA, but there was some ambiguity concerning the final determination of specific performance standards and the measurement of those standards. In another SDA, in addition to the seven standards derived from the Secretary's model, the PIC approved the following youth competencies, which represent positive terminations:

- improving basic educational skills;
- attaining pre-employment and work maturity skills;
- maintaining or advancing educational levels.

In this SDA, participants in youth work experience programs and the school dropout program will be evaluated using one or more of these criteria. The availability of such qualitative performance standards is a prime factor in the stress on youth programs in this SDA. Another type of additional standard is a requirement, reported from one SDA, to spend at least a certain portion of allocations prior to the end of the program year.

A potentially important issue concerns the relationship between the performance standards received by the SDA from the State and the performance expectations of the SDA toward service providers. At this point in the implementation, however, few SDAs gave careful consideration to this relationship. One SDA designed a complex system of adult and youth program performance expectations setting different outcome standards for classroom training, OJT, and work experience programs. However, in most cases the relationship between the SDAs' performance standards and expectations toward local service providers is primarily reflected in the philosophy of the PICs rather than in sophisticated operational procedures. Most PICs are aggressively oriented toward placement, which influences the selection of service providers. In some instances the PICs expect individual service providers to meet or exceed the performance standards set for the SDA. It is generally anticipated that meeting the performance standards -- with the exception of the wage standards -- will not be a problem.

Performance-based contracting, aggressively pursued by many PICs, is important, if not central, in SDA-level performance standards policies. This widespread PIC orientation is summarized by the following SDA observation:

> The policy of the PIC is to push the responsibility for meeting performance standards down to the service providers. This is done by advising service providers that, if they expect to see their project proposals approved for funding, they had better plan to exceed the applicable performance standards. The performance-based contracts in use also provide for contractors to meet or exceed the standards.

Although several SDAs reported that it was too early to observe the effects of performance standards on targeting and the selection of contractors, in several other instances certain effects were observed or anticipated. Performance-based contracting and the performance expectations of the PICs are expected to influence the selection of contractors. In some instances this stress on performance led to the selection of contractors with a "proven" track record of placing participants.

In several SDAs, contractors who do not meet TY84 performance goals are not expected to receive funding in PY84. However, in other SDAs the general expectation is that it will be relatively easy for most contractors to meet performance goals.

The picture with respect to effects on participant selection is more straightforward. SDAs, in general, anticipate a stress on serving the more job-ready, more motivated segment of eligible people, and it is believed that hard-to-serve groups suffer from the stress on placement. This is particularly likely in light of the lack of adjustments for participant characteristics when SDA standards are being pushed down to service providers. The Secretary's adjustment methodology contains adjustment factors correcting for the mix of participants served, at least to some extent; SDAs serving in a relatively high portion of hard-to-serve groups are expected to meet lower than average placement standards. However, when SDA placement rates are simply being pushed down to the service providers, no credit is given to these service providers who serve hard-to-place participants.

Only a quarter of the sample SDAs reported using funds set aside for SDAs that exceed standards and for technical assistance. Six percent of a State's Title IIA allocation is reserved for these purposes. Half of the States made such funds available to the SDAs in some form, but several did not apply for them. Other States have not decided about the allocation of these funds to SDAs.

SDAs with 6 percent set-aside funds most commonly used them for programs for hard-to-serve groups. Funding included adult and youth ex-offender programs, programs to serve refugees, veterans, and welfare recipients. Funds were also used for technical assistance. Since almost a quarter of the sample States planned to use funds from the 6 percent set-aside for incentive payments, some SDAs are expected to receive them in the future.

4.3 Financial Liability and Related Issues in the SDAs

During FY83, while States and localities were absorbed in the process of designating SDAs and certifying PICs, the issue of financial liability seemed to dominate requests for information and clarification at State, regional, and national levels. However, as the October 1 implementation date approached, the issue faded from view, and by early November we were prepared to ask the Associates why it had done so. They quickly informed us that not only was the issue alive and well in the States, but also that it had, in many cases, dominated implementation decisions at both State and SDA levels.

In a previous report, we indicated three ways in which States had acted to promote the designation of fiscally responsible administrative entities and grant recipients. Local elected officials and units of local government were not often given these responsibilities, for several reasons. These include:

1. In several States the Governor or State Job Training Coordinating Council, or both, insisted that these roles be taken only by entities that had the power to levy taxes. This insistence ranged from a strong recommendation to a requirement for SDA plan acceptance.

2. Existing prime sponsors, especially single jurisdictions, had long-established fiscal and administrative systems which the local elected officials were unlikely to want to change.

3. In most States, Associates report that designating the grant recipient and administrative entity was considered to be an entirely local prerogative, subject only to the requirement of fiscal responsibility, cited above.

This pattern of designation of grant recipient and administrative entity responsibility infers that the financial liability issue was the determining factor in checking what otherwise might have been a rush by the PICs to take on one or both roles. However, State-level JTPA personnel often knew very little about the reasons for these local choices, except where some substantial friction had threatened to delay other transition activities.

Associates' SDA-level observations suggest that liability was not the primary controlling factor in all SDAs, but in about half of the SDAs it did play that role. There are two ways of looking at the resulting choices where liability concerns overrode all others. One view is that the liability issue "forced the public-private partnership to occur." That is, some PICs which initially saw JTPA as a private-sector-controlled program with government consultation rights were forced, by the liability issue and the tight schedule within which it had to be resolved, to consider a broader role for local or State governments. In at least two States, the State government will run JTPA for several SDAs, and in a third the Employment Service will play a larger role than desired by many PICs, due to State insistence that this was the only reasonable way to handle liability for disallowed costs.

The other view of the role of the liability issue at the local level (expressed by local officials) is that local elected officials or States used it, quite openly, as a means to "quash" the PIC and to stay in firm control, denying the PIC a full partnership role at the very outset of JTPA. One PIC, which resisted the State's efforts to be designated the grant recipient and administrative entity, incorporated and sought other ways to handle the liability issue. The Associate reports:

> Audit exception liability has been a major issue in the SDA. The incorporation of the PIC led to a major problem. The State would not accept the PIC's plan until it had satisfied the State that adequate insurance was available for audit exceptions. It was the State's very strong position that the grant recipient should be a unit of government which had taxing authority. It opposed PIC incorporation strongly on this ground. No one in the State or on the PIC was aware of audit insurance or how to obtain it. Several months were spent in contacting insurance companies to see if the insurance was available. Finally, in February 1984 the PIC found audit exception insurance. This was acceptable to the State Department of Human Resources but the policy is new and and must be approved by the State Insurance Commissioner before it can be finally implemented. This has not yet been done. Thus, all financial allocations to the SDA have been made contingent upon the insurance commissioner's ultimate approval of the insurance policy. The insurance premium is being paid by private donations from companies who have representatives on the PIC. The PIC believes the State used the liability issue to punish them for incorporating.

In other States, one rural and one urban PIC gave early consideration to assuming a larger role in JTPA through incorporation and designation of themselves as administrative entities. As the Associate from one of these SDAs reports:

> The county executive raised the liability issue, it was said to "quash" the efforts of some private-sector members who wanted to organize the SDA as an independent nonprofit outside the county government. The executive said that he wouldn't have participated in the program if the staff was not under his direct control. He was able to use the county's complete liability coverage for the PIC members as well as subcontractors to dissuade the PIC from pursuing a structure outside of county government. He sought a legal opinion from the county legal department which confirmed that all members of the PIC are covered with the same umbrella liability policy of any county board or commission. It was not an issue after this opinion was rendered.

Finally, in two SDAs a formerly independent organization that had administered some or all of CETA was absorbed into local government in order to shift liability and to ensure that the local government's procurement rules and staff would prevail.

In ten sample SDAs, the liability issue either never came up for major discussion following the designation of administrative entity and grant recipient, or else is seen by local elected officials and PIC members as having been resolved. This includes SDAs in States where the State coordinating council had set out explicit requirements enabling eligible grant recipients and administrative entities to levy taxes, as well as SDAs where there was a sense of confidence that contractors with "clean records" could be identified and used exclusively or that "continuing past stringent practices" would suffice. Two incorporated PICs purchased audit exception insurance, and a third requires all contractors to maintain a sinking fund of at least 0.5 percent of the contract amount, to cover future exceptions. Following a brief discussion of some liability-related issues, we will assess whether or not these ten SDAs seem to us to be correct in their belief that their actions are sufficient protection against disallowed costs.

According to the Associates, most local elected officials and PICs viewed eligibility determination as the key to controlling liability for JTPA funds, and staff attention has focused on both eligibility verification and the 10 percent allowed participation of nondisadvantaged (under Title IIA) as administrative controls.

SDAs are currently taking several approaches to eligibility verification. However, potential changes in the methods and requirements for verification seem to be subjects of concern and debate in about half of the areas, and changes may take place in the PY84 cycle. At this time, the most popular approaches include the following:

1. Contracting with the Employment Service for all intake and eligibility determinations.
2. Centralizing SDA-operated intake, with substantial senior SDA staff time committed to eligibility determination.
3. Requiring 100 percent pre-referral verification of applicant eligibility.
4. Continuing eligibility verification procedures for a 10 percent sample of participants.
5. Relying on the 10 percent nondisadvantaged participation "window of eligibility" to cover eventual exceptions.

Cost, efficiency, and continued uncertainty over liability issues are causing continued discussions of eligibility verification procedures among SDA staff, the Employment Service, the PICs, and the State Councils. Where 100 percent preverification is required by the State, the SDAs are concerned about high costs and slow build-up of the eligible pool. Central SDA intake procedures are also criticized by some PIC members and community groups who claim that travel time and the SDAs' choice of intake locations discourage or intimidate applicants.

Finally, the designation of administrative entities and grant recipients has not laid the liability issue to rest in many instances. A number of local governments which were designated as administrative entities and grant recipients because they were able to assume liability responsibilities, now insist that the eligibility determination contractor is, in fact, the party which will be financially responsible for disallowed eligibility determinations. This often means that the Employment Service which is a contractor but not the local administrative entity or grant recipient, is considered by the local elected officials to be the responsible party. This is causing restiveness among some PIC members, who now wonder why the PIC couldn't incorporate, buy insurance, and also shift liability for eligibility determinations back to the State by contracting with the Employment Service.

In those small States (both those with one SDA and those with more than one) where the State has moved aggressively to have a State agency assume control and liability, and in those large SDAs where SDA staff do all of the intake and eligibility work, the actors seem confident that they know where liability responsibility resides, even if there are concerns about costs or efficiency. Elsewhere, arrangements for determinations and verification are in a state of flux. Moreover, when SDA staff, State officials, and experienced public-sector members of a PIC engage in intramural debates revealing that no one is sure who is liable for disallowed eligibility, inexperienced private-sector members' patience wears thin, both with the jargon and with the uncertainty over such a fundamental issue.

Selective Service Registration

JTPA requires that males may not receive JTPA services unless they are in compliance with the registration requirement for Selective Service. Three SDAs report that this problem has significantly slowed the build-up in youth participation. One SDA reports that Selective Service verification takes from three weeks to six months; another that the Postal Service has refused its requests for information. Apparently, some post offices will supply a form indicating that the individual has registered. Others will not, and enrollment of the participant must await the receipt of the actual registration card. A fourth SDA reports that the process works smoothly now, but anticipates major delays when summer youth programs further strain the system. SDAs which require 100 percent verification from the Selective Service offices are experiencing or anticipate delays.

Some verification methods may pose other problems. These include verification for only the 10 percent sample which is selected for income eligibility verification; use of "informal inquiries" as the source of verification in order to speed the system; and verifying only that the applicant has not been convicted of failure to register.

One SDA using a single central intake unit has developed the simplest method of assuring compliance. Applicants who do not present other proof of registration are registered at intake, by the SDA staff, under a special arrangement with the post office.

Is the Liability Issue Resolved?

Ineligibility reportedly accounted for 90 percent or more of the costs disallowed under CETA, but there are other sources of liability that the SDAs may be underestimating. One is the 30 percent limit on combined administrative and support services costs; it was seldom mentioned directly in terms of liability, although, as discussed elsewhere in this report, it is seen as posing substantial planning and management problems for SDAs.

In addition, none of the SDA representatives expressed concern about ineligiblity from lack of Selective Service registration, and in only one case was there active concern about whether or not the contracts being used would qualify as performance-based for the purpose of administrative cost computations. Finally, representatives of several SDAs named "creative accounting" and "creative staff position descriptions" as ways of living within the 15 percent administrative cost limits.

Thus, we are confronted with a paradox: while nearly half of the SDAs are confident that they have adequately forestalled audit exceptions (or minimized their fiscal effects), the implications of the reported practices in most of these SDAs are that they should be more concerned than they are about potential liability. Moreover, some SDAs reporting continued concern about liability should broaden their view to include the several new sources of liability. It appears that SDA staff, PIC members, local elected officials, and contractors should add to their traditional income eligibility view of liability. They might wish to ask the following questions.

1. To what extent would expenditures of less than 40 percent (or the adjusted SDA target) of the total on youth be viewed as generating audit exceptions?

2. Have functions or positions been renamed to parallel JTPA terms for nonadministrative cost components, without meeting the JTPA definitions of nonadministrative costs?

3. Will the performance-based contracting arrangements meet the standards for exceptions from certain administrative costs? Especially: how will the payment schedules, definitions of enrollment, and performance targets be viewed in an audit?

4. Can a finding of ineligibility arise solely from the Selective Service registration requirement? What constitutes an adequate eligibility determination and verification procedure?

5. Are administrative records adequate to document the various eligibility determination and verification procedures?

6. What procedures related to previously detected CETA cost exceptions are still in place? If personnel who made decisions associated with large audit exceptions remain, how have policies and procedures changed to prevent recurrences? Are the changes adequate?

7. Are conflict of interest provisions for both staff and public and private sector PIC members in accordance with local, State, and federal laws?

8. Is it adequate if everyone is confident that disallowed costs could be recovered? How would large disallowed costs affect private-sector willingness to be associated in the JTPA partnership, even if the administrative arrangements dictate that a tax-levying entity will be liable? PICs in SDAs with histories of large disallowed costs may be reluctant to resolve the issue of who will be liable for future audit exceptions.

This is not an exhaustive list of potential liability issues. However, except for the last issue (private sector perceptions of JTPA), we identified each as posing significant hazards in two or more of the SDAs which reported that liability was not currently an issue. After carefully reviewing the reports for SDAs where officials expressed confidence that the liability issue had been "laid to rest," we conclude that most would be justified in rejoining the majority who believe that the liability issue is not yet close to resolution.

Liability and the Use of CBOs

The influence of liability issues on the role of community-based organizations in JTPA is not, as some have supposed, a simple excuse to get rid of the CBOs. Although we have some reports that either the local elected officials or the PIC have done so, there may be other, more powerful local forces. First, some SDAs that are using, or moving toward, performance-based contracting are finding that public training institutions refuse to accept such contracts ("They can fill their classes without JTPA") while CBOs may have to accept the PIC's terms to stay in the training business.

In a related development, some PICs find local public training and educational institutions "less than responsive" in other ways that may cause them to look elsewhere for training and placement facilities. Reports of PICs and local elected officials being unable to determine how vocational education set-asides are to be spent in their jurisdictions, or of impatience with "perfunctory" proposals submitted to PICs by public institutions, may foreshadow a major conflict. A number of nationally recognized CBOs organized training facilities because they perceived that public institutions were not interested in providing these services to the disadvantaged. Some private-sector representatives on PICs already share the CBOs' view of traditional public training institutions. Outright refusal of some schools to accept performance-based contracts, incidents of charging higher tuition or fees for JTPA participants than other enrollees, reluctance to develop class-size or nonsemester programming, and similar events may cause more PIC members to raise questions of responsiveness.

Moreover, there are a number of SDAs where CBO training and placement organizations have effectively engaged the private-for-profit sector in fundraising, cooperative education, OJT, facilities development, and customized training efforts for more than a decade, and are viewed as established, reliable, private-sector partners of influential businesses.

Thus, local factors and the particular reputation, reliability and responsiveness of various public and private potential contractors will probably outweigh general liability concerns in the choice of JTPA training providers for many SDAs. In others, however, there seems little doubt that JTPA provides an opportunity for either public or private sector actors who wish to do so to "get rid of the CBOs," regardless of their placement, training, or audit histories.

5. TITLE III PROGRAMMING IN THE SDAS

Title III of JTPA provides for services directed to dislocated workers--those who have lost jobs in firms that were unable to compete with foreign competition or new technologies. Title III programs are the responsibility of each State; a State may choose to have an SDA operate a Title III program, but it is under no obligation to do so. Moreover, the State is free to fund Title III programs in some geographic areas of the State but not all.

States have clearly indicated their intention of keeping control of Title III programs to themselves. Only seven of the twenty-two SDAs in the sample obtained contracts with their States to operate Title III programs.[1] Most States chose to operate Title III programs through their own agencies, or through contractors outside the SDAs.

Although the small number of Title III programs operated by SDAs limited the amount of data available on how such programs operate on the SDA level, the Associates made observations in the seven SDAs receiving Title III funding on the following topics:

- The targeting decisions made by local officials and
- The service mix of the identified projects.[2]

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[1] Two of the SDAs were large urban areas that received funding to operate two Title III projects. Hence, a total of nine projects were observed in the seven SDAs.

[2] Plans to examine the effect of the nonfederal matching requirement on SDA programming, Title III enrollment levels, and the existence of exemplary projects could not be carried out because of the absence of SDA Title III activity.

5.1 SDA Targeting

Five of the seven SDAs receiving funding for Title III programs have established specific eligibility criteria. Although there is some variation in the specifics of this targeting, the five SDAs sought to make clear distinctions between dislocated workers and the economically disadvantaged individuals eligible to receive Title IIA services. These SDAs specifically targeted workers who were adversely affected by massive layoffs or particular plant closings, and who were receiving unemployment benefits. The two remaining SDAs gave priority consideration to a similar group of individuals but also broadened their targeting to serve the economically disadvantaged.

The wide federal discretion regarding eligibility for Title III and the State decision to defer targeting decisions to the project operators has allowed local service deliverers to develop criteria that are consistent with their local labor market problems. In one SDA, two large firms relocated their operations resulting in the loss of employment for over 480 employees. Recognizing the severity of the situation, the PIC played the lead role in organizing Title III services for the laid-off workers.

In an SDA hard hit by two plant closings and large layoffs, the PIC identified the problem and submitted a proposal to the State to receive funding to serve the workers directly affected by the plant closing. Another SDA decided to set priorities for the groups that would receive Title III services. The Associate in this SDA noted:

> The PIC had discretion in choosing its own target group for Title III and chose the following priority: (1) workers laid off from a specific industry in the area; (2) workers who are eligible for Title III exclusively; (3) workers laid off, but eligible for Title IIA JTPA funds, (4) workers who have been fired; and (5) workers who quit their last job.

A group of machine tool operators was targeted for services in one SDA after they received a notice of termination. The employer was provided training subsidies to specifically retrain those employees that received layoff notices so that future unemployment could be avoided.

Two SDAs refused to limit Title III services to dislocated workers. One of these SDAs was concerned that distinctions between the dislocated worker and the economically disadvantaged were unfair. Officials argued that many of the economically disadvantaged in their area were displaced from jobs in the mid to late 1970s. Because of the failure of the local economy to fully recover, these individuals were forced to relocate or end up on on public assistance. However, it is felt that the range of services offered under Title III (which emphasizes OJT) is better suited to their needs.

5.2 SDA Service Mix

Observations in the seven SDAs operating Title III programs reveal two different approaches to the dislocated worker problem, each reflecting a different philosophy about the nature of the dislocated worker that the SDAs expect to serve. Some of these SDAs place primary emphasis on job finding, but most emphasize training in skills needed in jobs that are likely to result in placement once the subsidy ends. They rely heavily on OJT.[3] Participants in these SDAs are thought to have a sufficient work history, thus eliminating the need for employability development. Instead the SDAs seek to update participant skills through an incentive for private business to provide the retraining. The following account by an Associate depicts the need for such strategies in one SDA:

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[3] Two of these SDAs also provide classroom training for those participants lacking basic employment skills.

> At the time of our inquiries fifteen of the forty-one Title III participants working in OJT slots were forty-five years old or older. The most extreme case...was that of a worker, well over sixty years old, who had not missed a day of work in over forty years.... These are workers who really need the retraining they are getting.... Technology in these industries has changed so radically since construction of the antiquated mills where these workers gained their experience that extensive retraining has been required for them to learn to operate contemporary machinery.

Four other SDAs have designed dislocated worker programs to develop participants' employability skills. Unlike the skills training approach, this strategy assumes that most persons eligible for Title III have skills high enough to be placed in jobs but are unable to locate employment. As a result the programs have been designed to provide job search skills. In two SDAs there is an additional job placement component.

Typically the job search strategies involve writing resumes in a classroom setting; finding employment opportunities through newspaper ads; and group discussions and classes on job search techniques. In one SDA, the JTPA agency and the local Employment Service office developed a two-part program. The JTPA agency developed an intervention strategy for employees who were still working but had received layoff notices. Personal resumes are prepared for each worker in the program and group meetings are held to improve the participants' job search skills. The local Employment Service office provided services to workers from the same firm who have been laid off. Representatives from the office conduct intake and assessment services, and schedule interviews for those most "job ready." Participants assessed as needing job search skills are placed in a workshop to improve those skills.

In another SDA, assistance has been provided to over 120 participants. Services provided are resume writing, job search assistance, personal appearance, job readiness, counseling and supportive services. Placement activities are scheduled for those participants who complete the program.

The length of the employability development component can vary significantly for each participant. Only one SDA requires its Title III participants to complete a structured program before beginning the actual job search. Participants in the other SDAs will move in and out of the program at a rate that will be largely determined by their ability to locate job opportunities.

In summary, most States in the sample operated Title III programs on the State level; only seven SDAs in the sample received funding to operate a dislocated worker program. These SDAs focused program resources on the more experienced, nondisadvantaged segment of the population. The SDAs relied heavily on OJT and job search strategies.

While these findings shed some light on Title III as it is evolving among the SDAs, the limited number of projects operated by SDA prevents further examination of these and other issues. If a useful analysis of Title III is desired, projects operated by non-SDA organizations will have to be included.

5.3 The Relationship of Title IIA and Title III Programs

One of the chief goals of Congress in writing JTPA was to bring about coordination among public and private organizations providing training services, and to eliminate duplication of such services. An important question is how well Title IIA and Title III programs are coordinated and whether duplication exists between them.

Information to help answer this question could be obtained in sixteen of the twenty-two SDAs in the sample, where both Title IIA programs and Title III programs are operating. Seven SDAs operate both types of programs themselves, while in the remaining nine SDAs, Title III programs are operated by outside agencies, either State or private. No Title III programs operated in six of the sample SDAs either because a statewide Title III program offered no services in the SDA's territory or because the State distributed Title III money on a request-for-proposal basis and funded no proposals in the SDA's territory.

Although regulations require that State coordination criteria apply to Title IIA and Title III programs, they fail to specify how Title III is to be coordinated with other JTPA activities. This is particularly important when it is realized that in some areas (1) both Title IIA and Title III programs are administered by or located in the same SDA; (2) both programs aim to locate private-sector employment for participants and therefore may provide similar services; (3) eligibility criteria for both programs can target similar populations; and (4) the level of private-sector involvement can vary significantly between the two programs. Failure by program operators to address these issues may weaken the effectiveness of planned employment strategies that the JTPA coordination criteria were designed to create.

This section discusses the extent to which State and local program operators were able to coordinate the delivery of Title III services with those provided under Title IIA. Specifically, it examines whether:

- There was targeting of Title IIA resources on Title III eligibles; or,
- There was coordination of intake, assessment and job placement strategies; or,
- A system was established to exchange labor market information; or,
- A cross referral process was developed to guide applicants to the appropriate program.

5.4 Targeting of Title IIA Resources on Title III Eligibles

Despite eligibility criteria that allow Title IIA programs to serve dislocated workers, only two of twenty-two SDAs indicated that Title IIA would target the dislocated workers eligible for Title III.

The primary reason for the lack of targeting of dislocated workers in Title IIA programs appears to be the perceived presence of "well funded Title III projects."[4] Nine of the SDAs saw little reason to spend Title IIA resources on dislocated workers when a program designed to provide the needed services was available in the area. Other SDAs that did not establish targets for dislocated workers under Title IIA point out that the intent of their program is to provide services to the economically disadvantaged who have little prior work experience. In one of these SDAs, Title IIA recipients receive extensive pre-employment training before being assigned to OJT. The pre-employment training component is viewed as necessary for individuals with little work experience. Officials from an SDA with a similar strategy for Title IIA recipients argue that the needs of people eligible for Title III relative to those eligible for Title IIA dictate that the programs be administered separately. One official noted, "It is not clear that JTPA staff would know what to do with dislocated workers. Work experience is not seen as relevant for this group and private-sector OJT slots are hard to establish."

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[4] A number of the program operators for Title IIA feel that many individuals who would be served under Title III as dislocated workers will also qualify for Title IIA services.

Associates in three other SDAs not targeting dislocated workers indicate that the local labor markets in their SDAs make it difficult to find individuals who are technically eligible for Title III. In one SDA, the unemployment rate in March was 4.8 percent, according to the Associate -- not nearly enough to generate a sufficient pool of dislocated workers. A lack of large firms and declining businesses were two major reasons for the limited interest in the dislocated worker in the two other SDAs in this category.

Another SDA chose not to target dislocated workers because it felt that the two programs did not "interrelate" very well. Recognizing the need for service coordination, the PIC did establish an intake assessment and referral process that directed participants to the program designed to address their needs. However, there was a strong desire to administer the programs separately. In particular, the administrative entity was concerned with the differences in rules between the programs regarding the proportion of funds that could be used for administrative costs and for need-based payments.

There are, as mentioned earlier, only two SDAs in the sample specifically targeting dislocated workers with Title IIA resources. In both areas, a decision by the State not to organize Title III programs in their respective areas was the motivation for this policy. The strategy is to provide services to dislocated workers through funds available under the 10 percent window for the nondisadvantaged.

5.5 Coordination of Title IIA Services with Title III

In addition to the small number of SDAs targeting Title IIA resources to Title III eligibles, a relatively small number of SDAs coordinate Title IIA activities with those provided by dislocated worker programs in their area. As noted earlier, only nine of twenty-two SDA administrators indicate that some coordination exists between the two programs. The extent of the coordination in two SDAs does not go beyond an agreement to cross-refer potential participants.

Of the nine SDAs attempting to coordinate activities, six have planning and operational responsibilities for both programs. In three of these, program operators have developed different targeting criteria for the two programs to avoid service duplication. Service strategies in the two programs also vary to account for the perceived difference between Title IIA and Title III participants. Nonetheless, once the service intervention is complete, program operators develop one pool of job-ready candidates for which placements are sought. An Associate in one such SDA describes the process,

> The service provider for both programs is the vocational-tecnnical school. However, clear-cut differences between Title IIA and Title III are developing.... The Title III program is serving older,

> established members of the work force.... Title IIA programs are serving economically disadvantaged persons who in many cases have never been employed. Recruitment procedures differ in the two programs: Title III recruitment depends on termination lists provided by employers, while Title IIA recruitment uses radio and newspaper ads. The two programs are, however, being marketed as a package to prospective employers.

Coordination activities in two other SDAs involve the referral of potential JTPA eligibles to the appropriate program. One SDA held a class to inform Title III eligibles of a dislocated worker program in another SDA. Despite what was described as a "lack of interest" among the eligibles, the referral process has continued.

None of the SDAs coordinating activities between programs engaged in information exchange on intake and assessment activities, or strategies for developing OJT contracts. Nor was information exchanged on potential sources of OJT slots or placements in local labor markets. In fact, except for those SDAs with administrative responsibility for both programs, coordination activities can best be described as informal or, as one Associate terms it, "peaceful coexistence."

The States' organization of Title III resources has resulted in SDAs not attempting to coordinate Title IIA activities with Title III. Officials from eight of the nine SDAs with Title III projects operating in their boundaries refuse to coordinate with dislocated worker programs because they feel the State has developed Title III as a State program designed to preclude SDA involvement. This is a particular concern among SDAs located in States operating Title III on a Statewide basis. These States are exempt from including the SDA in the planning and operation of the program. Officials point out that the agency or agencies selected by the Governor to administer Title III often implement the dislocated worker program through local offices without "real and meaningful coordination" with the SDAs in the area. An Associate reports,

> There is a new statewide program which will be funding generally any dislocated worker that walks in the local employment service offices in the SDA areas. This has been initiated without any contact with the local SDAs or PICs.... This is a very volatile issue within the State. The Governor is to be openly petitioned by the various actors in the local areas to force an increase in dialogue.

Members of the association of SDAs in this same State are embittered by the lack of coordination and communication which, they argue, frustrates their commitment to establishing an effective partnership.

In two other SDAs where statewide Title III programs operate, the PICs have lost interest; in a third, failure to coordinate the two programs has led to implementation and service duplication problems. The Employment Service is slowly implementing a statewide dislocated worker program in the SDA without attempting any coordination with the PIC operating the Title IIA program. As a result, the PIC in this SDA has expressed almost no interest in Title III.

A similar situation developed in another SDA after the State contracted with a private job search firm to provide placement services to identified dislocated workers in the same area where the SDA was providing a similar service to Title IIA participants. Conflict developed between the two operators when the local PIC accused the private firm of hiring away Title IIA staff and using large stipends to attract people who were eligible for Title IIA. The result is that two publicly financed operations are competing for the same individuals to provide the same services.

While these problems are most common among SDAs in States providing statewide Title III services, they are also occurring in SDAs where dislocated worker projects were selected through a request-for-proposals (RFP) process. An Associate from one SDA facing coordination problems explains:

> The SDA has had little formal role in Title III planning and only sparse experience with actual Title III projects even though all the plant closures so far happen to fall within its jurisdiction.... The PIC is aware of what's happening but has no formal participating role.... No significant coordination problems have been discerned...although it is clear that the potential for such problems exists.

Another SDA scrapped its plans for coordination of services provided by the programs when the State turned down the SDA's proposal submitted in response to an RFP. An Associate in still another SDA indicated that the SDA's role was limited to a review of projects funded outside of the SDA system and, although the RFP process was ostensibly open to anyone, State Title III program staff indicated local SDAs were "informally but purposefully excluded from consideration."

Coordination between the two programs suffered in one SDA because of the perception of Title III as a "State" program. State officials' explanation of this to the SDA was that Title III was handled at the State level because the money was allocated before the SDA designations were complete.

In summary, the decision by some States to operate Title III as a Statewide program and by others to fund specific Title III projects outside of the SDA delivery system for Title IIA may have hurt efforts to coordinate services of the two programs. There are few instances of Title IIA operators targeting dislocated workers and there has been even less coordination of intake, assessment, and job placement strategies. Bypassing the SDAs to control Title III resources at the State level may undermine goals of increased coordination and private-sector involvement in JTPA activities at the SDA level, while leading to a problem of service duplication.

APPENDIX A

THREE CASE STUDIES

Chapters 2 and 3 showed that an SDA's approaches to participant selection and service mix result from a number of factors that constrain their choices. These factors include the youth expenditure requirement, the emphasis on AFDC recipients, the limitations on stipends and allowances, the fact that 50 percent of all work experience costs are counted under the total for support services, limitations on administrative costs, performance standards, the incentive to use performance-based contracting, and the requirements of the States and philosophies of the PICs.

The "mini-case studies" in this appendix illustrate how these factors interact to affect program decisions in the individual SDAs and provide a "feel" for the problems faced by program operators.

Each of the three narratives was put together from the Associate's answers to questions in the Report Form related to the factors listed above. We edited the answers to eliminate references to other questions and to remove names and references that would identify the particular SDA. Generic terms are used to identify the administrative entity, specific service providers, etc.

The first case is from an SDA that is considered large (in terms of Title IIA funding allocation) and includes a medium-sized city and the surrounding county. The second case, a medium-sized SDA, is an urban county that is part of an economically depressed labor market. The third case is a medium-sized large rural area that had been part of the CETA Balance-of-State area.

Medium-Sized City and Adjoining County

"Data on significant segments and target groups indicate how this SDA is targeting its JTPA Title IIA expenditures in PY 1984. The most interesting elements are the very high level of general assistance recipients (47 percent) and the low participation planned (only 2 percent) for older workers. These service levels to significant segments and target groups are quarterly goals and are subject to a variance of plus or minus 15 percent. The exception is the youth service level, which is considered a minimum level. This reflects the concern of the SDA about the ability to spend 40 percent of the funds on the youth program.

The youth segment is proving to be a tough recruitment problem, largely because of the elimination of support payments. According to the executive director, the increase in the target level of spending on youth combined with the elimination of support, and thus the reduction in the motivation for youth participation, has made achieving this target very difficult. He does not anticipate meeting programmatic goals for youth service and is hoping that penalties will not be invoked next program year. It is reported that approximately 25 percent of all eligible applicants are youths. Achieving the State-mandated 44 percent youth service spending target for the SDA would require spending nearly twice as much per youth enrollee as per adult enrollee. This appears to be impossible.

The 10 percent window for nondisadvantaged individuals is being used for any programs to enroll individuals who are not economically disadvantaged but who have encountered significant barriers to employment. Such individuals must meet one of three categories: either displaced homemakers, members of target groups within 125 percent of the OMB poverty level who are enrolling in training defined as nontraditional for that group, or dislocated workers. In addition, individuals enrolled in an upgrading program as part of classroom training or on-the-job training may be counted against the 10 percent quota.

The service mix in this SDA is related to the mix of Title IIA eligibles but it is conditioned more, I would say, by JTPA legislative mandates and the CETA history. Clearly, the SDA is forced by JTPA quota to serve more youths than they think should optimally be served. Equally clearly, the basic service mix has largely been inherited from CETA. Under the assumption that this mix had evolved to fit the needs, it would seem to be an appropriate service mix. Without review of the applicant pool or more data on program performance, I would not want to second guess the program administrators.

The impression created by the staff is that of a typical social welfare organization. There is a professional attitude about client service and some degree of distance from clients and their needs. I would say the emphasis is on the success of the program. This means serving those who are able to benefit from the services that can be rendered and reward for contractors who are able to achieve high performance standards. There is also stress on appropriate treatment for each client but this is compromised by the JTPA requirements.

There is a definite relationship between the limits on stipends and the mix of participants in this SDA. The SDA has encountered difficulty enrolling youths, and in enrolling out-county eligibles of all kinds, because of the transportation problems. There are no other reported problems in enrollments because of limits on stipends. Attempts to counterbalance these limits include broader advertising for youth enrollments, including the retention of the professional assistance with the marketing effort.

It is interesting to report the protest of the SDA at the elimination of a successful job auditioning program because of the limits on stipends. In the last year of CETA the SDA had initiated two such programs which provided thirty days trial placements, with the entire wage picked up by CETA. One of these programs for the general population realized an 87 percent entered employment rate. One for the handicapped realized a 50 percent entered employment rate. These programs are reported as more successful than work experience in the SDA at the same point in time. These were, in essence, eliminated by JTPA's limits on stipends.

I expect that the enhanced PIC involvement in the service delivery plan will affect service strategy. However, this has not yet become apparent. The current Title IIA service mix is very similar to the last year of CETA, affected primarily by different programmatic parameters imposed by the legislation. The current subcontractors are essentially the same as the old CETA subcontractors.

The relative importance of various IIA services can be deduced from the budget information. Of the total budgeted expenditures for FY 1984, 71 percent are denominated as training, 14.5 percent as support services, and 14.5 percent as administrative costs. Within the 71 percent allocated to the training budget, 6 percent goes for the central intake unit and the employment and training broker and 17 percent goes for the exemplary youth programs. Of the hard-core training dollars remaining, 56 percent is spent on classroom training, 25 percent on limited work experience, 16.5 percent for on-the-job training, and 2 percent on other. About 8 percent of the classroom training budget is spent on less-than-class-size. The SDA claims to offer occupational skill training in some nineteen different areas. Most of the training is short-term, less than nine months, and vouchers are used only in the rare instances where a work experience enrollee cannot be placed in an organized program.

The PIC does not at this point have a plan to change the service mix over time. However, the chairman of the PIC has made it clear that he would not be surprised if such an informal plan emerged from the PY 1984 grant proposal review process. This is the first full review that the new PIC has made of the program. It is likely that a desire for change in emphasis may emerge from this review. The dominant values appear to be performance, in terms of placements in the private sector, and to a lesser degree, cost-effectiveness per placement. The current service mix reflects the target populations, the momentum carried in from CETA, and contractor performance.

The SDA has never been heavily dependent on CBO participation. However, there has been no substantial impact of the changeover from CETA to JTPA on the participation of CBOs.

Fifteen percent administrative cost allowance out of a lower budget obviously meant fewer dollars in the administrative cost pool, and this meant the reduction in the staffing of eight positions. However, there does not appear to be a massive change in program structure as a result of this. The SDA did not request a waiver of the 30 percent limitation and is not aggressively using other sources of "exemption" from the 30 percent limit. The chairman of the PIC feels that the administrative cost allowance is sufficient to run the employment and training program under the circumstances. He recognizes the need to allow some variation by type of program, but basically they seem to be satisfied with the 15 percent level. In general, the SDA has transmitted the administrative cost limit through to contractors by specifying an 8 percent limitation for administrative costs for the contractors.

The only exception to this 8 percent allowance is for performance-based contracts which have been encouraged for next program year, both by the central administrative unit and by the PIC. The position of the SDA is that they made a strong endorsement of performance-based contracts by allowing bonus points for such contracts in the evaluation of classroom training proposals. However, this only amounts to 10 points out of a scoring system involving a possible 130 points. The executive director expressed some surprise at the lack of response to their invocation favoring performance-based contracts. The chairman of the PIC strongly expressed the opinion that performance-based contracts would become substantially more important in the future. This does not, however, appear to reflect an anxiety to avoid the administrative cost limitation but simply a belief in the premise of performance-based contracts, namely, that you only get paid when you have produced.

There are no non-JTPA funds for administration other than the in-kind donations of the members of the PIC. However, there is talk about trying to stretch JTPA funds by linkages with other programs, for instance, Pell grants to aid in support of training expansion in the public schools. Another example is the linkage with the Targeted Jobs Tax Credit program for the local summer youth program. Equipment was donated and in-kind contributions solicited to support that successful youth program. The program last year generated 716 summer jobs for youth.

Lastly, there has been talk about the SDA applying for grants for additional supportive service funds. The feeling is that the lack of supportive services is hurting the program for those individuals who have serious need of such services. This applies clearly to the transportation problems in the out-county area. It is also worth noting that the RFP offers strict guidelines for participant support. No support dollars are allocated to OJT or classroom training programs and a total of 50 percent of work experience costs are allocated to participant support for the limited work experience programs. Thus the conclusion is that the administrative cost impact is not particularly serious, but the supportive services limitation is hurting the performance of the program.

The performance standards that will be in place for PY 1984 are specific to the adult or youth population and to classroom training, on-the-job training or work experience service components. There is also a supplementary performance standard for exemplary youth programs which requires an overall entered employment rate of 40 percent and above and a positive termination rate of 80 percent. The basic entered employment rate for adults is set at 70 percent for classroom training and on-the-job training and 50 percent for work experience programs. Corresponding standards for youth are 60 percent for classroom training and on-the-job training and 43 percent for work experience programs.

The SDA staff have no doubt whatsoever that they can and will meet the performance standards. Any contractor who does not meet the performance standard can expect to have little chance for renewal of its contract. On the other hand, this occurs in an environment where the executive director reports that the SDA actually has waiting lists of employers wanting to hire graduates of their skill training programs. They have programs operating now that have entered employment rates of 85 and 90 percent of enrollments (not of successful completions). One program is regarded as a failure because it is only obtaining an entered employment rate of 50 to 60 percent of enrollments. The clear answer to the question of how performance standards affect or are affected by targeting, selection of contractors and participants, is that performance comes first.

Needs-based payments are available under strict conditions. The payment is $2 for each day a participant is in training for four hours. The eligibility is for participants who are economically disadvantaged, not receiving any other form of income support, and scheduled to participate in training twenty hours per week or more and who meet the family income requirements set by the SDA.

Perhaps the most surprising element of this evaluation has been the slow rate of the implementation of the new JTPA structure. Because of this slow rate of implementation, it is difficult to cite issues that have come up that should be included in the design of the next observation. However, I will offer four that occur to me from having observed the State and local scene.

The first question I would ask is whether the directed proportions of funding, for instance to youths and to displaced workers, will prove to be roughly appropriate to the level of need. This could be defined on a Statewide basis or in given SDAs. It may be a difficult question to answer, but it seems to me an important one. Second, I would ask about the effect of the limitation on stipends and support services. It seems to me there is serious question as to whether these limitations will be productive or counterproductive. Third, I would continue to question the PIC's influence on program decisions and program design. The influence of the PIC is just beginning to emerge and this can be expected to grow over the next twelve months. Fourth, I would be interested in observing the type of evaluation that will be conducted by the SDAs themselves. Particularly with the growing private sector influence, I think it is an interesting question as to how programmatic decisions will be influenced by contractor performance and how much conflict will emerge if service segments and other dictated targets interfere with efficiency goals."

Urban County

"In discussing the role of targeting, it is important to distinguish between planned activities as set forth in the SDA plan and realistic targets which reflect the SDA views of program direction. For example, the SDA plan identifies the following as target groups:

General assistance welfare recipients
Displaced workers
Single parents
Dislocated workers
Physically and mentally retarded

In conversation with the administrative entity I was informed that the SDA will do whatever is required by the JTPA and the State. It views its primary responsibility as one of putting people to work. While the SDA does monitor the demographic composition of its participants, the primary targets are older workers, youths, economically disadvantaged, and dislocated workers. Thus, the emphasis is on training programs as opposed to target group programs; to the extent possible, target populations, as set forth in the plan, are given priority service.

The SDA will have a difficult time meeting the 40 percent youth requirement. Once again, the SDA's plan calls for the 40 percent requirement to be met; however, the SDA is currently operating at approximately the 30 percent level. The SDA's incentive to meet the 40 percent requirement has diminished. The SDA has recently been informed that its mandated youth expenditure level has been reduced to 28 percent for PY84. In addition the SDA is of the opinion that a ten-point variation is acceptable to the State department of labor.

The SDA will allow up to 10 percent of its program participants to be nondisadvantaged high school seniors. However, performance standards prevent targeting this group, for without stipends this group becomes high risk. Additionally, half of work experience is charged to service and these costs are constrained by JPTA limits.

The relationship between service mix, program choice, and the mix of Title IIA eligibles is more fancied than real in this SDA. Given the long-term stagnation of the local economy, the issue is one of taking advantage of programs which are immediate and which demonstrate a high probability of success. With deficient demand this translates into a program in which the needs of employers must be met in a timely and cost efficient fashion. Thus, the emphasis is on cost efficiency and this means OJT.

It should be remembered that the area's employment problem is long-term and structural in nature. There does not exist a pool of recently laid-off or dislocated workers. The employers of the region tend to be small and do not engage in long-term manpower planning. Thus, the composition of demand determines the service mix and programming choices emphasize cost efficiency.

There is every indication that the lack of stipends has hindered enrollment though it is not possible to identify the groups which are affected most. In this SDA distinctions between groups are more fancied than real.

Initially the SDA was not making support payments of any sort and found that the drop-out rate was excessively high. Consequently, the SDA initiated a $1 per hour payment based on recorded attendance. While it is too early to determine the extent to which the drop-out rate will be reduced, early indications support the tentative conclusion that recruitment has increased substantially.

While the SDA has moved to the $1 per hour payment it finds the payment to be deficient. Furthermore, the SDA speculates that the absence of stipends will serve to reduce the overall effectiveness of the program. The director of the SDA offers this perspective: People's needs are immediate and those who are in the program are likely to drop out if and when presented with the opportunity to become employed at $3.50 per hour. Also, transportation costs and the cost of meals away from home will serve to encourage drop-outs.

The SDA does not provide transportation costs, meals or any other type of payments to program participants. The SDA did attempt to counterbalance the effects of stipend limitations by relying on publicity. However, the SDA feels that publicity campaigns do not serve to offset the adverse impact of stipend limits.

Table 4 sets forth measures of relative importance of the various services provided by the SDA. These numbers reflect transition year targets as submitted to the State. Reference to the table indicates that OJT, as defined by the SDA, is the major service vehicle. The vast majority of services are short-term in duration. The SDA does not use vouchers. Finally, all training with the exception of classroom training is provided by the administrative entity. Subcontracts for classroom training are entered into with organizations who are a subset of the old CETA subcontractors.

Table 4. Relative Importance of Training, Urban County SDA

Trainee Group	Total participants	Classroom basic	Classroom skill	OJT	Work experience
Adult	498 (100%)	60 (12.3%)	129 (26.4%)	240 (49.1%)	60 (12.3%)
Youth	401 (100%)	80 (19.9%)	111 (27.7%)	170 (42.4%)	40 (10%)
Older Worker	16 (100%)	0 (0%)	0 (0%)	10 (62.5%)	6 (37.5%)
TOTAL	906 (100%)	140 (15.5%)	240 (26.5%)	420 (46.4%)	106 (11.7%)

The PIC does not plan on changing its service mix over time. The administrative entity believes that it is doing all that it can do within the constraints imposed by the JTPA and the State. Specifically, the lack of Title III funds in conjunction with limits on services, administrative costs, and stipends serves to promote reliance on OJT programs. Similarly, performance standards serve to limit attempts to modify the service mix.

Relative to CETA, CBO activity has diminished under JTPA. The JTPA limit on services has reduced SDA commitment to work experience programs, a consequence of charging half of work experience dollars to services. Thus, the SDA is no longer committed to assigning participants to CBOs as case workers, drivers, etc. As a consequence, CBO operations in programs like Meals on Wheels have been reduced. Similarly, the elimination of PSE has served to reduce CBO activity.

Finally, adult literacy training dollars flow directly to public schools via Basic Education Grants. In this State, this has served to eliminate CBOs from providing these services. In this SDA the adverse impact of BEG grants has not reduced CBO activity; the public school system provided literacy training under CETA.

SDA staff indicate that the 30 percent limit serves to limit program flexibility. For example, the SDA would like to increase job search activity. However, administrative cost constraints limit the size of the counseling staff. Similarly, the SDA operates a central intake unit but feels that the staff are needed on the road to provide more effective recruitment. Cost constraints make such a program infeasible. The list which follows summarizes the impact of the imposed constraints on the design of the program:

a. Reduced reliance on job search resulting from inadequate counseling staff;

b. Administrative cost limitations to reducing publicity campaigns designed to recruit participants;

c. Outreach programs significantly reduced or eliminated; and,

d. Youth programs requiring a special staff to organize activities and obtain access to schools. Cost limits have served to eliminate special staff and impair the youth program.

It should also be noted that BEG grants to local schools imposed significant administrative costs on the SDA. The SDA staff is required to perform all administrative tasks without compensation. As a consequence of SDA complaints regarding inadequate administrative funds, the State in PY84 has agreed to set aside 5 percent of the 80 percent portion of the BEG for SDA administrative costs directly attributable to BEG activities.

The SDA inquired by telephone as to the applicability of a waiver of the 30 percent limitation. The State discouraged these attempts and consequently the SDA did not make a formal request for a waiver. In conversation with State representatives, I was told that the SDA should make written application for the waiver. The State will grant waivers when legitimate reasons are provided.

The county is providing non-JTPA funding by providing county resources at zero cost. The use of county resources serves to hide a portion of administrative costs.

Initially, the SDA plans called for total reliance on performance-based contracts. The SDA's legal counsel developed sample contracts for distribution to contractors. One technical school, a major and respected institution, is a member of a national organization whose charter prohibits contracts which guaranteed placements at predetermined wage rates. The two local Vo-Tech schools in the area can enter performance-based contracts but have indicated a reluctance to do so; they do not wish to be held responsible for placements. Consequently the SDA does not have a performance-based contract in place in the transition year.

The SDA is currently seeking ways to make performance-based contracts acceptable to major contractors. They are aware that these contracts will be effectively mandated on July 1; however, such an awareness does little to diminish their dilemma.

The perceived benefits to the SDA are apparent -- lower administrative costs and payments based upon performance. The SDA is also aware of the contractors' concerns -- fixed costs in conjunction with a risky revenue stream. The SDA feels that contractors who operate under performance-based contracts will inflate costs to protect themselves against the risk of low placement rates.

The SDA shows little concern with the issue of liability. Since the SDA operates its own intake it feels that the issue of liability will not arise. Similarly, the SDA's experience with contractors provides them with confidence that the liability issue is virtually nonexistent.

To be placed in the program, proof of Selective Service registration must be provided. The local Selective Service Office is cooperative and provides a notarized statement of registration.

With regard to the performance standards for the twelve-month period from July 1, 1984 to June 30, 1985, it appears that the State has adopted the national standards. State officials have advised me, however, that changes from the national standard are being considered. The SDA did not receive any of the 6 percent incentive money during TY84. State officials once again advised me that the six percent money is not being distributed to the SDAs during the transition year. Speculation has it that 6 percent money will be used to acquire microcomputers for the SDA.

Effective March 1, 1983, the SDA initiated a payment of $1 per hour based on attendance. Payments are made directly to participants with the hours of pay determined by the recorded number of hours appearing on time sheets. Welfare recipients receive payment so as to encourage continued participation in the program. County welfare is not deducting these payments from welfare payments. Participants engaged in adult literacy training are excluded from the dollar per hour payment as are participants currently collecting unemployment benefits. No other stipends are provided by the SDA."

Rural SDA

"The population of this SDA is about one-quarter non-white, somewhat younger than the State, and unemployed to a lesser extent than nationwide. Of 16-19 year old youths in the labor force, a majority are high school dropouts. Their unemployment rate exceeds that of graduates by a factor of over three times. Close to 3,000 families receive AFDC, over three-quarters of whom are black.

The program targets emphasize serving economically disadvantaged youths and adults. The SDA established a level of service of 15 percent for welfare recipients. An original target for servicing youths of 52 percent was modified to 41 percent. The original target was, however, met during the first quarter of TY84.

The permissible "10 percent window" for serving non-disadvantaged was rejected by the PIC. At least two service providers want such a "window," one to cover enrollment of ineligibles and the other, a provider for handicapped persons, to enroll nondisadvantaged handicapped. The JTPA administrator observed that he thinks they can find enough handicapped who are also disadvantaged. There is no PIC sentiment for adding a nondisadvantaged "window."

For TY84 the following groups with specific barriers to employment are also targeted: handicapped individuals, juvenile offenders, displaced homemakers, older workers, dropouts, and veterans. Regular Title II-A and discretionary programs are offered and targeted to specific groups. This SDA is one of a few Statewide which has been funded for an older worker program under the "3 percent set-aside." One of its goals is to increase awareness among private employers of the value of the older worker. The SDA has also applied for a veterans program under Title IV-C of JTPA. The Title II-A service providers include one service provider specifically targeted to the handicapped.

On the basis of the needs of the target population, the PIC solicited proposals for programs for these economically disadvantaged groups: in-school youth, youth who are not in school, programs to enroll adults in post-secondary or proprietary schools and programs to place adults and youth directly in the private sector. Basic education, vocational education, and pre-employment training were encouraged, but work experience, tryout employment, and nonemployment youth competencies were prohibited. In interview after interview disapproval was expressed about the CETA practice of paying people, expecially youth, to attend school. Yet schooling, both for skills and affective behavior, was stressed as the main tool for transforming the economically disadvantaged into employables. Pre-employment training was considered so important that it is tacked onto the front end of OJT.

Although service is designed for the non-job-ready, the SDA is committed to seeing them employed. It refused to recognize youth outcomes other than employment, in part due to abuses of the local work experience program under CETA. Consequently, high school juniors cannot participate in the in-school program.

The design of each service provider's program requires that the agency be responsible for the full battery of service from outreach and intake through placement and follow-up. The PIC wanted this integrated approach to service so that training providers could not "pass the buck" to an intake contractor for their own deficiencies. This mandates that providers select participants not only who are most in need, but also those who will stay till the end. While this may point to "creaming" there is no evidence of it, probably because of the extent of poverty and unemployment. The locations and networks of the CBOs reach deep into the disadvantaged community.

The SDA allows support payments for transportation, child care, and meals. Each service provider is permitted to allot participants a maximum of $30 per week for child care and $15 per week for meals and transportation. These payments are individually determined and are only awarded to those participants with need. The child care payments are made to daycare providers for actual cost. Transportation is figured at $.20 per mile; thus on a weekly basis, a maximum of $15 a participant is reimbursed for a maximum daily mileage of 15 miles, hardly enough in this dispersed ten-county area. Service providers are conservatively dispensing these support payments.

There are indications that difficulties have been encountered due to the lack of stipends. Most notable, difficulties have appeared in a Licensed Practical Nurse (LPN) training program. This program requires participants to attend eight hours per day, five days per week, for twelve months. The program is in trouble (from the service provider's point of view) because nearly half of the original participants have dropped out -- they have been financially unable to continue. As the program is being operated under a performance-based contract, the service provider will collect much less than 100 percent of the full contract amount when this program is completed. The service provider's representative commented that the 10 percent "window" allowing service to the nondisadvantaged might appropriately be used in a program of this length and intensity;

nondisadvantaged clients would stand a better chance of staying the full course. On the other hand, the director claims some participants will walk to the center and not spend the lunch money in order to use it for feeding their families. The average AFDC payment of $171 is less than the support payments of $180 per four weeks.

Another problem caused by the lack of stipends is beginning to appear. It involves participants who find employment before a course of training is completed. When stipends were paid (i.e., under CETA), they provided an incentive for such participants to remain enrolled and complete the training even though the new employment provided them an income. Now, in the absence of stipends, trainees who find employment before completion of training are more likely to drop out.

All Title IIA clients being served in the SDA are economically disadvantaged, but respondents indicated that the group exhibiting the greatest resistance to recruitment because of the lack of stipends is the 16-21 age group (i.e., seniors still enrolled in high school, recent graduates, and recent dropouts). One service provider claimed that some seventy-five of its original participants failed to return for the second week of training due to the lack of stipends (this was the service provider who had been accustomed to dispensing work experience slots as long ago as the Neighborhood Youth Corps Program).

We foresee that next year's support payments will have to be liberalized to meet the program objectives.

In response to the bids of potential service providers, the PIC agreed upon six programs to be offered by five different providers. One contract never materialized and those funds were reallocated for five replacement programs. Of these, four are operational; one, though approved, will not be implemented during the transition year.

Current subcontractors include the vocational-technical school; two CBOs, OIC and ACTION; and a for-profit rehabilitation organization. The proposed contract with the State rehabilitation program was never executed because of contracting problems.

The PIC chairman expressed disappointment that private employers did not seek out contracts for Title IIA JTPA in the SDA. The PIC chairman attributes the reluctance of the private sector to apprehension about government interference and impatience with program work. He feels that one job of the PIC will be to reverse this stance.

On the other hand, the CBOs, especially OIC, have gained new respect from the private sector for their services. They were the chief beneficiaries of the lapsed contract, partially because they, unlike vo tech, were willing to enter into performance based contracts that include thirty-day employment retention as a condition for full payment.

The predominant program type is classroom training, most of which is for specific occupations.

The smallest segment of the Title IIA programming consists of OJT. Vo tech has the major portion, with OIC having been awarded a small contract when funds were freed up by the unexecuted Rehabilitation contract. Vouchers are not being utilized in this SDA.

In terms of client mix, the PIC does not appear to plan any substantial change in the near future -- clients served will continue to come from economically disadvantaged and long-term unemployed elements of the community. In terms of the mix of service providers and level of funding, however, some changes may be forthcoming.

Representatives of the PIC have expressed some dissatisfaction with service providers from among the area's educational institutions. These dissatisfactions have to do with (at least perceived) excessive costs per participant, resistance to entering into performance-based contracts, and with an early effort by area educational institutions to secure JTPA funds to purchase computer hardware for use in training JTPA participants. The result of these dissatisfactions, at least in the short run, may be a reduced role for area educational institutions in providing JTPA services. Dissatisfaction with the extremely slow startup by the sheltered workshop may jeopardize future handicapped programming.

Two CBOs, ACTION and OIC, are substantial service providers under JTPA. Their contracts together are of approximately the same magnitude as that of the largest contractor (vo tech). OIC's contracts are about one-half the value of those of ACTION's. However, the reputation of OIC was lauded by many, from the PIC chairman through the SDA staff, because they are exceeding their program goals. ACTION is not adapting willingly to JTPA's strictures after years with CETA and MDTA. Their major advantage is having locations in all ten counties, which has enabled them to pick up contracts other service providers would have difficulty meeting. One knowledgeable observer thinks there is more CBO involvement in the SDA now than under CETA. It appears certain that CBO involvement in the SDA is at least as great as it was under CETA.

This PIC/SDA has taken, at the direction of its chairman, a conservative approach to financial management in JTPA programs. No waiver of the 30 percent limit was requested and, in fact, the SDA is operating well below the allowable limits on both administrative costs and support, on the chairman's order.

Provision of support payments to participants has, so far, also been kept below allowable limits. One service provider with some $83,000 allocated for support payments to JTPA clients during the current program year expects to spend only about $42,000 for this purpose. The SDA does not use non-JTPA funding for administration, except that the JTPA administrative operation is housed free of charge at the Economic Development District offices.

All contracts currently in use in the SDA are performance-based, except for those covering OJT slots and the vocational education at the technical school. OJT contracts have not been performance-based because of difficulties encountered in working out schedules for payments to the service provider. However, the JTPA administrator (with the PIC's concurrence) resolved that in subsequent contracts, OJT slots will also be covered by performance-based contracts. One service provider, the vocational technical school, is refusing to enter into an additional contract, to replace one that was never finalized with another provider, because it requires a thirty-day period of employment in order for the provider to receive final payment. The two CBOs (ACTION and OIC) did enter into performance-based contracts for two replacement programs as well as their original contracts.

From the point of view of the administrative entity, the perceived benefit in performance-based contracting is the emphasis placed on actual job placement (and job retention) by such contracts. To emphasize the need for job retention, the SDA is witholding the final payment on performance-based contracts until completion of thirty days on the job by participants who have been placed.

The benefits inherent in performance-based contracts tend to flow to an administrative agency charged with responsibility for training people and putting them to work -- although it could be argued that, in a more general sense, everybody benefits if overall job placement performance improves as a result of the new contracting procedures.

Costs associated with performance-based contracts tend to fall on service providers, however. Complicated payment schedules are being used which pay a percentage of the contract amount upon enrollment of participants, additional payments on completion of defined steps in the training process, another percentage when job placement is made, and a final payment after retention of the participant on the job for thirty days. The payments are based on the service provider's bids with payment milestones (dates and amounts) negotiated between the providers and the JTPA administrator.

These payment schedules place a burden on service providers, who must perform recruitment and intake, verify eligibility, provide space and equipment, and assign instructors -- all before much payment has been received. Service providers operating on a hand-to-mouth basis, as in the case with the CBOs, find life particularly difficult under these circumstances. These agencies, unlike the vocational technical school, do not have the luxury of passing up performance-based contracting.

The PIC is dealing with the liability issue partly by carrying insurance and partly by pushing the responsibility down to the service providers. PIC members are protected by existing insurance coverage against liabilities incurred through errors or omissions. They are not covered against audit exceptions, though the development district is considering the purchase of such insurance coverage out of its own funds.

Service providers are being required to maintain reserve funds equal to 0.5 percent of total contract amount against liability for funds used in training participants who are subsequently found ineligible. Service providers now active in the SDA have raised no strong objections to maintaining these reserve funds, and so the issue cannot be said to have influenced the selection of contractors or participants to any large degree.

For eligibility verification, participants are required to complete a form which lists all members of the participant's household, their social security numbers, their employment, and any other sources of income. At present, however, there is no protection built into the system against false or incomplete information given by participants. The full data provided is not currently being fed into the Statewide MIS. Interagency cooperation is an issue here, since another agency maintains comprehensive data in its MIS on worker employment and earnings, as part of its recond-keeping on collections and payments in the unemployment insurance fund. Service providers, who must perform their own eligibility verification, do not presently have access to the State data. Service providers have indicated that it would be most helpful to them in weeding out ineligible participants if the State DOL would run a check of an applicant's reported employment and earnings early in the process. Up to now this has been done for a 10 percent sample. Other SDAs who use State DOL for intake have access as part of the intake process. In the SDA, negotiations are underway with State DOL central records to provide this service to the SDA as well.

The IIA performance standards now in place in the SDA are estimated standards, based on the National Departure Points as adjusted for local population characteristics. These estimated standards are as follows:

Adults

1. Entered Employment Rate - Number of adults who entered employment as a percentage of the number of adults who terminated: 60.4 percent.
2. Cost per Entered Employment - Total expenditures for adults divided by the number of adults who entered employment: $5,110.50.
3. Average Wage at Placement - Average wages for all adults who entered employment at the time of termination: $4.14.
4. Welfare Entered Employment Rate - Number of adult welfare recipients who entered employment at termination as a percentage of the number of adult welfare recipients who terminated: 41.7 percent.

Youths

1. Entered Employment Rate - Number of youths who entered employment at termination as a percentage of the number of youths who terminated: 48.2 percent.
2. Positive Termination Rate - Number of youths having a positive termination as a percentage of the total number of youths who terminated: 79.6 percent.
3. Cost Per Positive Termination - Total expenditures for youths divided by the number of youths having a positive termination: $4,176.92.

The data on actual experience in placement of participants now in training will be used to calculate a new set of performance standards which will take effect on July 1, 1984.

The policy of the PIC is to push the responsibility for meeting performance standards down to the service providers. This is done by advising service providers that, if they expect to see their project proposals approved for funding, they had better plan to exceed the applicable performance standards. The performance-based contracts in use also provide an incentive for contractors to meet or exceed the standards.

No penalty or hardship will be placed on the SDA for serving hard-to-place clients such as dropouts or welfare recipients because the performance standards which will go into effect on July 1, 1984 are being calculated on the basis of the actual experience in placement of the clients being served now. Thus, the present target figures (15 percent for welfare recipients) for such participants are minimum figures only; the SDA is willing to serve more such clients if they can be recruited by the service providers. Service providers indicated that some difficulties are involved in recruiting these clients. However, more than 15 percent of current participants are welfare recipients.

The SDA PIC prohibits needs-based payments. Support service payments are permitted. However, the PIC has encouraged service providers to stay below the permissable limits; thus much of the support service funds will be unexpended for the transition year. Some interviewees feel that leeway must be allowed for individual circumstances. Yet the PIC does not appear willing to yield. It is as though "the pound of flesh" is being extracted from very poor participants.

Service providers in the SDA, without exception, stated that the payments schedules in the performance-based contracts now in use in the SDA are causing them some difficulties. The problem, basically, is that a substantial portion of the provider's cost occurs up front. The functions of outreach, recruitment, intake, and eligibility verification are all performed by the provider early in the process, before the payment schedule provides much payment. The SDA has given advance payments to the service providers who had no other way to meet their start-up costs. The vocational technical school, operated by the county board of education, has obtained its start-up money from the Board of Ed, which borrows start-up funds from area banks and repays them with interest, after contract payments have been received. Still, all providers indicated that, in their opinion, contract payment schedules should be restructured to provide more payment up front.

Another contract-structure question is the thirty-day job retention requirement for final payment to the contractor. The percentage of the contract amount to be withheld pending completion of thirty days on the job by the participant has been a subject of negotiation between the development district and the service providers. This percentage varies from contract to contract and has ranged between 5 percent and 10 percent of total contract amount. The vo tech school has flatly refused so far to agree to any such contract provision. The SDA and vo tech have discussed a possible solution of this problem in which the vo tech school would base its services provided and costs on a 95 percent-of-total-contract basis, receiving the additional 5 percent as a kind of bonus for those participants who meet the thirty-day requirement. Neither party has agreed to this solution as yet, however.

The relative cost of serving JTPA clients, as opposed to serving non-JTPA clients, is another question related to the issue of costs and contract structure. In its original proposals to the development district, the vo tech school put in charges per JTPA client that were higher than the tuition fees the school charges to non-JTPA (or "walk-in") students. The PIC refused to accept these figures, stating that they would issue tuition vouchers to JTPA clients, who would then have to be served the same as "walk-in" by vo tech, rather than agree to the higher charge for each client. For its part, the vo tech school claims that the costs associated with recruitment, intake, and eligibility determination are additional overhead items which make JTPA clients more expensive to serve and thus justify the higher charges.

The problems of DOL and the Commissioner have resulted in no role for the local ES office. Even though they can perform some services well, such as eligibility verification, there has been, in the words of one interviewee, an attitude of "don't give DOL nothin'." The SDA has pushed to get as much as they can in "7b" services. There are indications recently that the ES and SDA staffs in planning PY84 are cooperating to iron out some of the problems related to eligibility determination. DOL may not necessarily go along. State level problems have unduly reverberated to the local level.

The switch in State level coordination from DOL to the Economic Development Department has created problems. Some of this is merely inexperience; certainly at the SDA level this is the case. The department and the (new) SDAs have no experience with disadvantaged clients which does not affect their administrative capabilities, but does affect their attitudes about what is possible to accomplish for the disadvantaged with the available resources. As one interviewee noted, the decision to make no needs-based payments was "made in a vacuum by people who have no job-training experience."

Under CETA the SDA was in the balance-of-state and thus local service providers answered to the State. Some providers now perceive that JTPA has added another layer of control. This is correct if the federal level is still counted, but if the federal level of control "withers away" then there are no more levels than with CETA. In this State the Economic Development Department is the "USDOL-ETA."

In the SDA the local welfare administrator was instrumental in seeing that the level of service to AFDC clients was set at 15 percent. She wants that to be increased in the future. She has initiated with the JTPA administrator the idea of a referral and tracking system for welfare and food stamp clients who are referred to JTPA providers. They are currently working this out. One concern is what happens to clients who are referred to a service provider but not enrolled -- are they referred to another provider or lost between the programs? During the TY, the publicizing of JTPA to welfare caseworkers is occurring throughout the SDA. The food stamp coordinator is very concerned that when clients become fully aware of JTPA there will be far more applicants than available slots. That will necessitate some guidelines for service -- determining the most in need -- a task with which the welfare officer and food stamp administrators feel uncomfortable. The PIC and the SDA are not dealing with this yet."

APPENDIX B

PROCESS EVALUATION OF THE IMPLEMENTATION OF THE JOB TRAINING PARTNERSHIP ACT

Phase 1-A. Local SDA Field Research Report

Due: March 15, 1984

Associate: ____________________________

SDA: ___________________

Please send one copy of this report to:

Robert F. Cook
Westat, Inc.
1650 Research Boulevard
Rockville, Maryland 20850

You should also retain a copy for yourself.

Note: In order to facilitate the analysis, your report should be made on this report form. Wherever necessary, you should insert continuation sheets in the report form. A supply of continuation sheets is appended to the report form. Please make additional copies if you need them.

Introduction to the Report Form

This Report Form covers SDA-level observations in Phase 1-A of the study. The prime objective of this phase is to provide early feedback to policymakers on the SDA level implementation of JTPA. Due to the relatively early observation period (January 20, 1984 - March 14, 1984), the findings are expected to be somewhat tentative and may not include outcomes. A more complete round of SDA level implementation issues will take place in Phase 2 that will cover the full transition year. In a sense, Phase 1-A is an exploratory phase, and will provide input to the design of the Phase 2 SDA level observation.

This Report Form has six sections:

Part I	SDA Organization and Planning Mechanisms
Part II	Population Served: Title IIA
Part III	Programming Choices in the SDA: Title IIA
Part IV	Financial and Performance Issues
Part V	Title III Programming
Part VI	Implementation Issues

Part I covers organizational matters. In this section, as well as in the other parts, it is important to clarify the identity of who is making the "SDA-level" decisions in question. Parts II through IV deal with institutional arrangements and early implementation. Since no hard data will be available in Phase 1-A, your discussion will be, of necessity, somewhat tentative. Some pieces of information such as those dealing with the role of various SDA level actors and decision processes are expected to be based primarily on factual observations, while other information, like effects on program mix and participant composition, will only reflect current plans and strategies.

Part V differentiates among (1) formula funding to the SDA; (2) project funding for which the SDA may apply; and (3) other (non-SDA) funding arrangements. In Part V please answer questions 1 through 3 as they apply in your SDA. Questions 4 and 5 in Part V should be answered in all cases. Part VI deals with Title IIA and Title III implementation issues and offers you an opportunity to comment on any issues that you think merit examination in Phase 2.

Please append copies of any forms used for MIS or reporting at the SDA level, and provide indications of data coverage, quality, likely dates of availability, and organization (office) collecting the information.

Please complete your report on this Report Form. When it is completed, make a copy for yourself and send the original, by March 15, 1984, to:

Robert F. Cook
Westat, Inc.
1650 Research Boulevard
Rockville, Maryland 20850

If you have any questions, please call me, Cilla Reesman, or Kalman Rupp at (800) 638-8985 or (301) 251-1500. If you are on the west coast, call Lane Rawlins at (509) 335-5581.

The following table summarizes the time period corresponding to the various abbreviated FY and PY designations. Please be sure that your use of them corresponds to this schedule.

FY 83	Oct. 1, 1982-Sept. 30, 1983
Transition year	Oct. 1, 1983-June 30, 1984
PY84	July 1, 1984-June 30, 1985
PY85	July 1,1985-June 30, 1986

A further complication is that appropriations still follow the fiscal year schedule. For example, funds for PY84 and PY85 were included in the FY84 (October 1, 1983-Sept. 30, 1984) budget.

As a final note, for a number of reasons that relate to protection from legal and other problems for you, us, your jurisdiction, and the people you talk to, your report should be considered confidential to the study. Any inquiries regarding your analysis should be referred to Westat. You may assure the people you talk to that no views or assessments that are given to you or reported to us will be identified with any specific jurisdiction or individual and no administrative (e.g., compliance or audit) use will be made of your report. This should not be interpreted as preventing you from expressing your opinion as an individual or from providing feedback to people you interview in the course of the study.

Bob Cook
Project Director

PHASE I-A REPORT FORM - Page 1

Associate ___________

SDA __________________

INTERVIEW LIST

Name	Title

Associate ___________

SDA __________________

Part I - SDA Organization and Planning

Service Delivery Area (SDA) designations are to be made by the Governor along population or labor market area lines. Within those areas, "general purpose business organizations" are to propose a slate of 150 percent of the number of business positions on the Private Industry Council (PIC). Education representatives are nominated by education agencies, labor representatives by trades councils, etc. The chief elected official(s) then select representatives for the council. After that, the council determines its size and membership. Fifty-one percent of the members, including the chairman, must be drawn from the business community. Once constituted, the council, under an agreement with the chief elected official(s), determines the training plan (service mix, target populations, etc), the grant recipient, the administrative entity, and its staff.

1. Please describe the organization of your SDA. Who is the grant recipient? The administrative entity? How do program operators fit into this system, i.e., does the PIC or administrative entity actually operate part or all of the program? Are other program operators involved? [In single SDA states, describe how the PIC and the SJTCC are related to one another and to the Governor's office.]

Associate ___________

SDA _________________

2. The composition and role of the PIC provide the way in which private sector involvement is to be brought into JTPA. Previous relations of PICs to LEOs under Title VII of CETA ranged from purely advisory, primarily rubber stamping the plans of prime sponsor staffs; to co-equal, participating in joint decision-making; to being the primary authority, controlling staff, selecting participants, making service delivery decisions, contracting with training agencies, etc.

Please describe the composition of the PIC and characterize the role of the private sector in the PIC. How was the PIC membership selected? Who are the members? Characterize the role of the PIC (as described above) relative to LEOs in: planning, service decisions, selection of training contractors, etc. Is the private sector subsidizing the operation of the PIC/SDA? If so, how? What major groups, other than private sector representatives, are represented on the PIC? Is there evidence that they are influential in the decision process?

Associate ________________

SDA ______________________

3. What is the relationship of E.S. to the PIC? What JTPA services are provided by E.S. in the SDA? What direction does this relationship seem to be taking? Are there particular interest groups pushing it one way or the other?

Associate ____________

SDA ____________________

Part II. Population Served: Title IIA

1. Please describe JTPA Title IIA targeting at the SDA/program operator level. What kind of targeting decisions or plans have been made at the SDA/program operator level concerning the representation of youth, in-school and dropouts, welfare/AFDC recipients, older workers? How is the Title IIA requirement to spend at least 40 percent of the funds for youth implemented in the SDA? How is the 10 percent "window" for nondisadvantaged individuals being used? Are there any additional target groups identified in your SDA?

Associate ______________

SDA ______________________

2. Service Mix/programming choices are discussed in Part III of this Report Form. How is the service mix related to the mix of Title IIA eligibles to be served? Is there a stress on serving the neediest? The most job ready? On cost efficiency?

Associate ____________

SDA ____________________

3. What is the relationship between limits on stipends and the mix of participants? Are there any indications that the SDA encountered difficulty in enrolling clients because of the lack of stipends? Which groups appear to be most affected? Are there attempts to counterbalance the effects of limits on stipends by substitute solutions?

Associate ____________

SDA __________________

4. Have dislocated workers been identified as a target group under Title IIA? How does this relate to the presence or absence of Title III funds allocated to the SDA? If dislocated workers are not targeted under Title IIA, are there any Title III projects serving dislocated workers in your SDA?

Associate ____________

SDA ________________

Part III. SDA Programming Choices: Title IIA

1. One of the assumptions of JTPA is that enhanced PIC involvement in the service delivery plan will affect service strategy. Although outcome indicators will not yet be available, the mix of planned training and job search options may be observed.

Please characterize the current Title IIA service mix as reflected in existing contracts or program activities. Are current subcontractors the same as, or a subset of, the old CETA subcontractors? Comment on the relative importance of various services, e.g., classroom training (class size/slot purchase choices), OJT, job search, work experience or "tryout employment," support services, "orientation to world of work" activities. Within the training category, is short or long term (9 months or more) training emphasized? Are vouchers being used in any of these activities?

Please include any available lists/descriptions indicating subcontracts, agencies, planned enrollments, types of services, allocation amounts, etc.

Associate ________________

SDA ____________________

2. Does the PIC have a service strategy or plan to change the service mix over time? How is this related to the current service mix?

3. We have heard anecdotal accounts of decreased CBO involvement under JTPA from that which existed under CETA. Is this the case in your SDA? If so, why?

Associate ______________

SDA ____________________

Part IV. - Financial and Performance Issues

Two tenets of JTPA are that training activities will be performance based and that the primary federal role will be to enforce financial responsibility and accountability. Examples of the former are performance standards, the provisions regarding performance based or unit contracting and the limitations on administrative and non-training costs. As an example of the latter, the federal regional area office is being set up with field representatives who deal with the state JTPA liaisons, monitors who will examine SDA programming, eligibility and management information systems, and teams of auditors who will audit state and SDA programs and financial arrangements.

1. What is the anticipated effect of the 30 percent limit on costs for administration and supportive services on how the program is being structured? Was a waiver of the 30 percent limitation requested? On what grounds? Did the State grant the waiver? Describe other sources of "exemption" from the 30 percent limit that the SDA is using. Is the PIC/SDA using non JTPA funding for administration?

Associate ____________

SDA ____________________

2. To what extent is performance based contracting being used in this SDA? Why? What are the perceived benefits/costs for the various parties involved?

3. How is the SDA/PIC dealing with the liability issue? Has it affected selection of contractors and participants? Is more attention being given to eligibility verification? How is the SDA dealing with the selective service registration requirement?

Associate ____________

SDA ____________________

4. What kinds of Title IIA performance standards are/will be in place for this SDA? How do they plan to meet them? What is the effect, if any, upon targeting, selection of contractors and participants, etc.? Did this SDA get any State 6 percent incentive money in TY 1984? For what purpose?

Associate _______________

SDA ______________________

Part V. Title III Programming

Based on our survey of the nonsample states and your Phase I reports, it appears that Title III funds are being handled in three primary ways:

1. Formula funding to the SDAs;
2. Project funding (often involving the use of an RFP) for which the SDAs may apply (or submit proposals); and
3. Project funding outside the SDA system.

Questions 1 through 3 of this section should be answered only if your SDA receives Title III funding from the state (either by formula or as a project). Questions 4 and 5 should be answered in all cases.

1. Please list the Title III projects/activities in your SDA, including dollar amount, and anticipated enrollment. What population is targeted? Did the state or the PIC determine the target group? Has the SDA/PIC been required to provide nonfederal matching funds? How much and from what source?

2. Please describe the service mix for Title III in terms similar to those used in Part III Question 1 for Title II-A. Are dislocated workers being served in "projects" which are for them exclusively? Are relocation services provided? Are there differences in targeting, programming, or control that are related to the sources of Title III funds (i.e., JTPA Title III allocations, Emergency Jobs Bill funds, Secretary's discretionary funds)? What is the nature (or effect) of any differences?

3. What is the relationship between the Title II and Title III planning and delivery systems in this SDA? What kinds of coordination or problems in coordination exist? How have the differences in Title IIA and III rules concerning limits on administrative and support costs influenced these programs? Is there differential interest (control) on the part of the PIC in Title II-A and III programming?

4. If there is type 3 Title III funding (projects run by some other agency) in (or overlapping) your SDA, what is the relationship between the PIC/SDA and the Title III project? For example, does the SDA recruit for the project or did the SDA support that organization's application for funds?

5. We are interested in identifying any particularly imaginative and/or exemplary Title III service configurations, projects or partnerships which you may encounter, whether they are operating or are in the planning stages. Please briefly describe any that might be of interest.

Associate ______________

SDA ____________________

Part VI. Implementation Issues

In this section we are interested in implementation decisions, the role of various parties involved, and the issues surrounding them. However, it is likely that final outcomes are not yet observable. Therefore, in each case, please distinguish among the following types of information: factual evidence of events; perceptions of various parties involved; and your assessment of likely outcomes.

1. What is the role of needs-based payments? Are allowances or any type of subsistence stipends being provided to participants? What kind of rules are being used? What is the level of payments? Who is being provided with needs-based payments?

Associate ____________________

SDA ______________________

2. Please describe the effect (if any) of local legislation or regulations on the implementation of JTPA in your SDA. Please distinguish state, county, city, etc. regulations in your discussion.

3. Since Phase I-A is, in part, the planning period for Phase 2, please indicate here any implementation or other issues that you have observed or that have come up in your State/SDA that we should be aware of in the design of Phase 2.

PHASE 1-A REPORT FORM - Page 19

Continuation Page ______________

Associate ______________

SDA ____________________

Question _______________